Financial Statements of

ST. JOSEPH'S HEALTH CARE LONDON

Year ended March 31, 2022

ST JOSEPH's HEALTH CARE LONDON

MANAGEMENT'S REPORT

The accompanying financial statements of St. Joseph's Health Care London have been prepared by Management, and approved by St. Joseph's Health Care Society at their meeting on June 16, 2022.

Management works with the Board of Directors to carry out its responsibility for the financial statements principally through the Resource Planning and Audit Committee. Voting membership of this Committee is comprised solely of independent volunteers possessing a high degree of financial literacy. The Resource Planning and Audit Committee meets with Management and the internal and external auditors to review audit plans, and any significant accounting and auditing matters and discuss the results of audit examinations. The Resource Planning and Audit Committee also reviews the financial statements and the external auditors' report and submits its findings to the Board of Directors for their consideration in recommending the approval of the financial statements by St. Joseph's Health Care Society.

St. Joseph's Health Care London maintains a system of internal controls over financial reporting that is continually reviewed and improved to provide assurance that financial information is relevant and reliable, and that assets are properly accounted for and safe-guarded.

The financial statements have been prepared in accordance with Canadian public sector accounting standards. Where alternative accounting methods exist, Management has chosen those it deems most appropriate in the circumstances.

original signed

Roy Butler
President and Chief Executive Officer

original signed

Lori Higgs, FCPA, FCA
Vice President Clinical Support and Chief Financial Officer

June 16, 2022

Independent auditor's report

To St. Joseph's Health Care Society
St. Joseph's Health Care London

Opinion

We have audited the financial statements of **St. Joseph's Health Care London** [the "Hospital"], which comprise the statement of financial position as at March 31, 2022, statement of changes in net assets, statement of operations, statement of remeasurement gains (losses), and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Hospital as at March 31, 2022, and the results of its 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 *Auditor's responsibilities for the audit of the financial statements* section of our 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 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.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the *Corporations Act* (Ontario), we report that, in our opinion, Canadian public sector accounting standards have been applied on a basis consistent with the preceding year.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

London, Canada
June 16, 2022

ST. JOSEPH'S HEALTH CARE LONDON

Statement of Financial Position

As at March 31, 2022, with comparative information as at March 31, 2021
(In thousands of dollars)

	2022	2021
Assets		
Current:		
Cash and cash equivalents (note 3)	$ 114,022	$ 99,667
Accounts receivable (note 4 and note 15)	35,262	34,871
Ministry of Health capital receivable (note 10(a))	4,632	4,368
Prepaid expenses and other assets	5,905	5,174
	159,821	144,080
Restricted cash and cash equivalents and investments (note 3 and note 9)	321,385	287,589
Ministry of Health capital receivable (note 10(a))	181,323	185,955
Investments in joint ventures (note 15(c) and note 15(d))	1,413	1,627
Capital assets and intangible assets, net (note 5)	702,053	727,395
	$ 1,365,995	$ 1,346,646
Liabilities, Deferred Capital Contributions and Net Assets		
Current:		
Accounts payable and accrued liabilities (note 15)	$ 93,695	$ 79,405
Current portion of long-term debt (note 10(a))	4,632	4,368
Current portion of obligations under capital lease (note 12)	2,417	2,305
	100,744	86,078
Long-term debt (note 10(a))	181,323	185,955
Employee future benefits (note 13)	16,258	15,800
Obligations under capital lease (note 12)	4,602	5,337
	202,183	207,092
Deferred capital contributions:		
Unamortized capital contributions used to purchase capital assets (note 7(a) and note 8)	582,029	599,853
Unspent capital contributions (note 7(b))	47,812	48,378
	629,841	648,231
	932,768	941,401
Commitments and contingencies (note 10(c), note 11 and note 15)		
Net assets:		
Invested in capital assets (note 8)	113,005	119,900
Internally restricted (note 9)	273,573	239,211
Unrestricted	15,355	12,361
	401,933	371,472
Accumulated remeasurement gains	31,294	33,773
	433,227	405,245
	$ 1,365,995	$ 1,346,646

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE LONDON

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for March 31, 2021
(In thousands of dollars)

	Invested in capital assets	Internally restricted	Unrestricted	2022 Total	2021 Total
Balance, beginning of year	$ 119,900	$ 239,211	$ 12,361	$ 371,472	$ 351,038
Excess (deficiency) of revenues over expenses	(15,764)	-	46,225	30,461	20,434
Internally restricted funds invested in capital assets	8,869	(8,869)	-	-	-
Transfers to internally restricted	-	43,231	(43,231)	-	-
Balance, end of year	**$ 113,005**	**$ 273,573**	**$ 15,355**	**$ 401,933**	**$ 371,472**

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE LONDON

Statement of Operations

Year ended March 31, 2022, with comparative information for March 31, 2021
(In thousands of dollars)

	2022	2021
Revenues:		
Ministry of Health, Ministry of Long-Term Care and Ontario Health:		
Operating funding	$ 375,046	$ 367,139
Mental Health redevelopment funding (note 10(b))	16,108	16,210
Veterans Affairs Canada	30,920	29,220
Patient services	30,414	28,157
Non-patient goods and services (note 15)	45,528	42,636
Amortization of deferred capital contributions (note 7(a))	24,955	24,924
	522,971	508,286
Expenses:		
Salaries and benefits (note 13)	341,101	334,932
Supplies and other (note 15)	83,767	79,182
Drugs	27,085	25,950
Mental Health redevelopment contract expenses (note 10(b))	20,870	20,762
Amortization of capital assets	40,719	38,695
	513,542	499,521
Excess of revenues over expenses before undernoted:	9,429	8,765
Realized investment income	21,032	11,669
Excess of revenues over expenses	**$ 30,461**	**$ 20,434**

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE LONDON

Statement of Remeasurement Gains (Losses)

Year ended March 31, 2022, with comparative information for March 31, 2021
(In thousands of dollars)

	2022	2021
Accumulated remeasurement gains (losses), beginning of year	$ 33,773	$ (28,900)
Unrealized gains attributable to portfolio investments	11,008	67,279
Realized gains attributable to portfolio investments, reclassified to the Statement of Operations	(13,487)	(4,606)
Net remeasurement gains (losses) for the year	(2,479)	62,673
Accumulated remeasurement gains, end of year	**$ 31,294**	**$ 33,773**

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE LONDON

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for March 31, 2021
(In thousands of dollars)

	2022	2021
Cash flows provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 30,461	$ 20,434
Items not involving cash:		
Amortization of capital assets	40,719	38,695
Amortization of deferred capital contributions	(24,955)	(24,924)
Net change in non-cash operating working capital (note 16)	13,168	4,426
Net change in employee future benefits	458	359
	59,851	38,990
Capital activities:		
Purchases of capital assets	(15,377)	(22,062)
Investing activities:		
Net change in restricted cash and cash equivalents and investments	(36,275)	(21,692)
Net change in investments in joint ventures	214	188
	(36,061)	(21,504)
Financing activities:		
Repayment of long-term debt	(4,368)	(4,130)
Net change in Ministry of Health capital receivable	4,368	4,130
Net change in obligations under capital lease	(623)	4,943
Deferred capital contributions related to capital assets	6,565	7,160
	5,942	12,103
Net increase in cash and cash equivalents	14,355	7,527
Cash and cash equivalents, beginning of year	99,667	92,140
Cash and cash equivalents, end of year	**$ 114,022**	**$ 99,667**

See accompanying notes to financial statements.

ST. JOSEPH’S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

1. Purpose of the organization

The financial statements of St. Joseph’s Health Care London (the “Hospital”) include: St. Joseph's Hospital; Mount Hope Centre for Long-Term Care; Parkwood Institute; Western Counties Wing; the Southwest Centre for Forensic Mental Health Care; and various joint ventures as described in the notes to the financial statements.

St. Joseph’s Health Care London is incorporated without share capital under the *Corporations Act* (Ontario). The Hospital is a registered charity under the *Income Tax Act* (Canada) and, as such is exempt from income taxes.

St. Joseph’s Health Care London is funded primarily by the Province of Ontario in accordance with funding policies established by the Ontario Ministry of Health (“MOH”) and the Ontario Ministry of Long-Term Care (“MOLTC”), collectively referred to as the “Ministries,” as well as Ontario Health (“OH”). Any excess of revenue over expenses earned during a fiscal year may be retained by the Hospital. The Ministries’ stated policy is that deficits incurred by the Hospital will not be funded, and this policy has been consistently followed. Therefore, to the extent that deficits are incurred and not funded, future operations may be affected. OH provides operating funding, which is expected to be received on an annual basis, and special funding, which is non-recurring in nature and consequently is unconfirmed for future years.

The Hospital operates under a Hospital Service Accountability Agreement (“H-SAA”) with OH. This agreement sets out the rights and obligations of the two parties, including funding provided to the Hospital, and the performance standards and obligations that establish acceptable performance results for the Hospital.

2. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”) including PS 4200, *Standards for Government Not-for-Profit Organizations.*

(a) Basis of presentation:

These financial statements include the assets, liabilities and activities of the Hospital. They do not include the activities of St. Joseph’s Health Care Foundation (“the Foundation”), which is not controlled by the Hospital. Entities that the Hospital does not control or have significant influence over, but does have an economic interest in, are not consolidated, which includes the Foundation [note 15(a)].

The Hospital has chosen the accounting policy option to provide note disclosure of the required information for controlled or significantly influenced not-for-profit entities, which includes the Lawson Research Institute (“LRI”) [note 15(b)].

ST. JOSEPH’S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

2. Significant accounting policies (continued):

(a) Basis of presentation (continued):

The Hospital has chosen the accounting policy option to account for jointly-controlled entities by the modified equity method, which includes Healthcare Material Management Services (“HMMS”) [note 15(c)], Pathology and Laboratory Medicine (“PaLM”) [note 15(d)] and Information Technology Purchased Services (“ITPS”) [note 15(e)]. The modified equity method is a basis of accounting for the Hospital’s partnerships, whereby the accounting principles of the partnerships are not modified to conform with that of the Hospital and interorganization transaction and balances are not eliminated, except for gains and losses on assets remaining within the Hospital at the reporting date.

(b) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions, which include grants.

Unrestricted contributions are recorded as revenue if the amount to be received can be estimated and collection is reasonably assured. Externally restricted contributions are initially deferred when recorded in the accounts and recognized as revenue in the year in which the related expenses are incurred.

Capital contributions for the purposes of acquiring depreciable capital assets are recorded as deferred capital contributions and amortized on the same basis and over the same periods as the related capital assets.

Patient services revenues are recognized as services are delivered and consist of basic and preferred accommodation fees and procedure fees.

Non-patient goods and services are recognized as services are provided or goods are delivered and consist of drug sales, products and services provided to third parties and other revenues.

Realized investment income (losses), which consists of interest, dividends, income distributions from pooled funds, and realized gains and losses, is recorded in the Statement of Operations, unless it is externally restricted, in which case it is deferred. Unrealized gains attributable to portfolio investments are recorded in the Statement of Remeasurement Gains and Losses.

(c) Restricted and unrestricted cash and cash equivalents and investments:

Restricted cash and cash equivalents and investments represent unspent deferred capital contributions for expenses of future periods and the future purchase of capital assets, as well as internally restricted net assets representing amounts designated by the Board of Directors for future capital projects, which are outlined in note 9.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

2. Significant accounting policies (continued):

(c) Restricted and unrestricted cash and cash equivalents and investments (continued):

Restricted cash and cash equivalents and investments consist of cash and cash equivalents and investments in marketable securities, debentures, equities and infrastructure-related investments, which are recorded at market value and are outlined in note 3. The investments held by the Hospital are maintained in accordance with the Hospital's Board of Directors approved investment policy statement.

Cash and cash equivalents not subject to restrictions are presented in current assets in the Statement of Financial Position.

(d) Related entities:

Related entities include the Foundation, LRI, PaLM, HMMS and ITPS. The Hospital's relationship with each of these entities and the method by which they are accounted for are described in note 15.

(e) In-trust funds:

The Hospital holds funds in trust for certain patients and custodial fund accounts for various programs within the Hospital. These funds are not included in the Hospital's financial statements as the Hospital does not have legal rights to these funds.

(f) Capital assets:

Capital assets are recorded at cost. Amortization of original cost is calculated on a straight-line basis using the following estimated useful lives of the assets:

Asset	Useful life
Land improvements	5–25 years
Buildings and building service equipment	4–40 years
Leasehold improvements	4 years
Equipment	3–15 years
Software	3–5 years

Construction in progress consists of construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

2. Significant accounting policies (continued):

(g) Impairment of capital assets and intangible assets:

When a capital asset no longer has any long-term service potential to the Hospital, the excess of its net carrying amount over any residual value is recognized as an expense in the Statement of Operations.

(h) 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 revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the useful life of capital assets, obligations related to employee future benefits and revenue recognized from the Ministries, OH and Veterans Affairs Canada.

COVID-19 global pandemic

The Hospital's results and operations have been and will continue to be impacted by the outbreak of COVID-19. The COVID-19 pandemic gives rise to heightened uncertainty as it relates to accounting estimates and increases the need to apply judgment in evaluating the economic and market environment and its impact on significant estimates.

The impact of COVID-19 has led to significant volatility in the global equity and fixed income markets. It is uncertain how this volatility may impact the valuation and income of portfolio investments. Additionally, there is a higher degree of uncertainty related to revenue recognition including the treatment of government reimbursement for Hospital-incurred incremental expenses and lost revenue.

The duration and impact of the COVID-19 outbreak remain unknown at this time, as does the ongoing efficacy of the government and central bank monetary and fiscal interventions designed to stabilize economic conditions and slow the spread of the disease. As a result, it is not possible to reliably estimate the length and severity of these developments nor the impact on the financial position and financial results of the Hospital in future years, including estimates of COVID-19 expenses and revenues eligible for reimbursement by the Ministries. Actual results could differ from those estimates.

(i) Employee future benefits:

The Hospital provides defined retirement and other future benefits for some groups of its retirees and employees. These future benefits include life insurance and health care benefits, retirement gratuity, sick leave and workers compensation, as well as vested non-accumulating sick benefits for certain groups.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

2. Significant accounting policies (continued):

(i) Employee future benefits (continued):

The Hospital accrues its obligations under the defined benefit plans as the employees render the services necessary to earn the retirement and other future benefits. The actuarial determination of the accrued benefit obligations for retirement and other future benefits uses the projected benefit method prorated on service, which incorporates Management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors.

The discount rate applied in the actuarial determination is based on the Hospital's long-term rate of borrowing. The most recent actuarial valuation of the benefit plans for funding purposes was as of March 31, 2021.

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. These actuarial gains (losses) are amortized over the average remaining service period of active employees. The average remaining service period of the active employees is 12 years (2021 – 12 years). Past service costs arising from plan amendments are recognized immediately in the period the plan amendments occur.

For those self-insured benefit obligations that arise from specific events that occur from time to time, such as obligations for workers' compensation, 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.

The costs of multi-employer defined benefit pension plan benefits, such as the Healthcare of Ontario Pension Plan ("HOOPP") pensions, are the employer's contributions due to the plan in the period. As this plan is a multi-employer plan, no liability has been recorded in the Hospital's financial statements and contributions are expensed as contributions are due.

(j) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Transactions are recorded on a trade date basis. Derivative instruments and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments, including cash and cash equivalents, accounts receivable, prepaid expenses and other assets, Ministry of Health capital receivable, accounts payable and accrued liabilities, obligations under capital lease, and long-term debt, 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.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

2. Significant accounting policies (continued):

(j) Financial instruments (continued):

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price on the date of the transaction, which is the fair value of the consideration given or received.

Subsequent to initial recognition, the fair values of financial instruments that are quoted in active markets are based on bid prices for financial assets held and offer prices for financial liabilities. When independent prices are not available, fair values are determined using valuation techniques that refer to observable market data. These include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized upon derecognition of the financial instrument, when they are transferred to the Statement of Operations.

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 effective interest method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and any reversal in remeasurements is adjusted through the Statement of Remeasurement Gains and Losses until realized.

A loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the Hospital becomes lower than its cost or amortized cost, adjusted for any write-downs recorded in previous reporting periods, and the impairment is expected to remain for a prolonged period.

PSAS requires the Hospital 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.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

2. Significant accounting policies (continued):

(j) Financial instruments (continued):

The fair value hierarchy requires the use of observable data from the market each time such data exists. A financial instrument is classified at the lowest level of hierarchy for which significant inputs have been considered in measuring fair value.

(k) Foreign currency:

Foreign currency transactions are recorded at the exchange rate at the time of the transaction.

Assets and liabilities denominated in foreign currencies are recorded at fair value using the exchange rate at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses. In the period of settlement, the realized foreign exchange gains and losses are recognized in the Statement of Operations and the unrealized balances are reversed from the Statement of Remeasurement Gains and Losses.

(l) Contributed materials and services:

Contributed materials and services are not recognized in the financial statements.

3. Cash and cash equivalents and investments:

	Fair value hierarchy		2022		2021
Cash and cash equivalents	Level 1	$	155,592	$	123,256
Debentures and other fixed income securities	Level 2		60,294		57,281
Equities	Level 1		209,255		197,087
Infrastructure-related investments	Level 3		10,266		9,632
			435,407		387,256
Less: Restricted cash and cash equivalents and investments (note 9)			321,385		287,589
Cash and cash equivalents		$	114,022	$	99,667

During the year ended March 31, 2022, there were no transfers between fair value hierarchy levels for reported cash and cash equivalents and investments (2021 – nil).

The valuations of infrastructure related investments are obtained from investment managers and are based on comparable transactions in the market and discounted cash flow models using unobservable inputs such as discount rates, terminal values and expected future cash flows. Holding other factors constant, an increase to terminal values or expected future cash flows would increase the fair value, while an increase in the discount rate would decrease the fair value of the Hospital's infrastructure related investments.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

4. Accounts receivable:

	2022	2021
Ministry of Health, Ministry of Long-Term Care and Ontario Health	$ 17,784	$ 17,102
Veterans Affairs Canada	1,766	2,682
Patient and other (note 14(a) and note 15)	15,712	15,087
	$ 35,262	$ 34,871

5. Capital assets:

			2022
	Cost	Accumulated Amortization	Net book Value
Land	$ 11,066	$ -	$ 11,066
Land improvements	15,321	12,139	3,182
Buildings and building service equipment	1,026,833	387,454	639,379
Equipment	166,105	121,927	44,178
Software	8,134	3,886	4,248
	$ 1,227,459	$ 525,406	$ 702,053

			2021
	Cost	Accumulated Amortization	Net book Value
Land	$ 11,066	$ -	$ 11,066
Land improvements	15,239	11,749	3,490
Buildings and building service equipment	1,022,044	361,486	660,558
Equipment	157,043	109,656	47,387
Software	7,402	2,508	4,894
	$ 1,212,794	$ 485,399	$ 727,395

The above capital assets and intangible assets include assets under capital lease of $8,426 (2021 – $6,617) at cost with accumulated amortization of $5,241 (2021 – $3,604).

As at March 31, 2022, construction in progress totaled $12,095 (2021 – $13,767), which includes buildings, building service equipment.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

6. Credit facilities:

The Hospital maintains credit facilities including an unsecured operating line of $20,000 (2021 – $20,000) with a stated rate of Prime less 0.75% and an unsecured revolving capital expenditure credit line of $10,000 (2021 – $10,000) with a stated rate of Prime less 0.50%. As at March 31, 2022, no amounts were drawn on these facilities (2021 – nil).

7. Deferred capital contributions:

(a) Unamortized capital contributions used to purchase capital assets:

Unamortized capital contributions used to purchase capital assets represent the unamortized amount of donations and grants received and applied towards the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the Statement of Operations.

Changes in unamortized capital contributions used to purchase capital assets consist of:

		2022		2021
Balance, beginning of year	$	599,853	$	618,723
Contributions used to purchase capital assets (note 15 (a))		7,131		6,054
		606,984		624,777
Amortization of deferred capital contributions		(24,955)		(24,924)
Balance, end of year	$	582,029	$	599,853

(b) Unspent capital contributions:

Unspent capital contributions represent donations and grants received for the purchase of capital assets that have not yet been expended. Unspent capital contributions consist of:

		2022		2021
MOH restructuring grants	$	42,405	$	42,405
Other MOH grants		4,445		5,265
Foundation donations		540		285
Other donations and grants		422		423
	$	47,812	$	48,378

MOH restructuring grants represent unspent funds received for restructuring projects that have been completed, but have not yet been reviewed and reconciled by the Ministry of Health. Repayment of unspent MOH funds follows the completion of the review and reconciliation of the Hospital's completed project submissions.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

8. Invested in capital assets:

Net assets invested in capital assets are calculated as follows:

		2022		2021
Capital assets	$	702,053	$	727,395
Amounts financed by:				
Deferred capital contributions		(582,029)		(599,853)
Obligation under capital lease		(7,019)		(7,642)
	$	113,005	$	119,900

9. Restricted cash and cash equivalents and investments:

Restricted cash and cash equivalents and investments consist of internally restricted net assets and unspent deferred capital contributions, as follows:

		2022		2021
Internally Restricted net assets:				
Research	$	9,000	$	9,000
Accumulated sick leave entitlement (note 13)		89		103
Employee future benefits (note 13)		16,169		15,697
Equipment and capital redevelopment		248,315		214,414
	$	273,573	$	239,211
Deferred contributions:				
Unspent contributions (note 7 (b))		47,812		48,378
Restricted cash and cash equivalents and investments (note 3)	$	321,385	$	287,589

10. Mental Health redevelopment:

(a) Funding and financing arrangements:

In March 2011, the Hospital entered into a Project Agreement with a third-party company, Integrated Team Solution SJHC Partnership ("Project Co") to redevelop, construct and operate the Southwest Centre for Forensic Mental Health Care and the Parkwood Institute, Mental Health Care Building. The Project Agreement includes a Design, Build, Finance, and Maintain ("DBFM") Alternative Financing and Procurement ("AFP") Project under Infrastructure Ontario ("Project"), with the Hospital and the MOH sharing in the total project cost. A portion of the cost was financed and this amount is fully funded by the MOH. The financed amount has been recorded as long-term debt in the Statement of Financial Position, and the MOH-committed funding is being received over the Project term and is recorded as a Ministry of Health capital receivable in the Statement of Financial Position.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
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10. Mental Health redevelopment (continued):

(a) Funding and financing arrangements (continued):

Estimated long-term debt principal repayments due to Project Co and MOH funding to be received over the remaining term of the Project, expiring on May 31, 2043, are as follows:

	Long-term debt repayment	MOH capital receivable
2023	4,632	4,632
2024	4,893	4,893
2025	5,190	5,190
2026	5,509	5,509
2027	5,859	5,859
Thereafter	159,872	159,872
	185,955	185,955
Less: Current portion	4,632	4,632
	$ 181,323	$ 181,323

(b) Project operating and financing expenses and associated funding:

Mental Health redevelopment contract expenses and funding are recorded in the Statement of Operations. The MOH provided funding of $16,108 (2021 – $16,210) and the Hospital has funded the remaining $4,762 (2021 – $4,552) representing facility maintenance fees.

	2022	2021
MOH-funded expenses:		
Interest (post-construction), 7.59% per annum	15,043	15,541
Contract management fees	1,048	641
Minor equipment cost	17	28
	16,108	16,210
Hospital-funded expenses:		
Facility maintenance fees	4,762	4,552
Mental health redevelopment contract expenses	$ 20,870	$ 20,762

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Notes to Financial Statements

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10. Mental Health redevelopment (continued):

(c) Commitments:

The Hospital is committed to operating and financing expenses over the project agreement term, expiring May 31, 2043, as follows:

	MOH Share	Hospital Share	Total
Interest	$ 211,825	$ -	$ 211,825
Long-term capital payable	185,955	-	185,955
Facilities maintenance	-	125,838	125,838
Lifecycle maintenance	99,201	1,582	100,783
Contract management	18,627	-	18,627
	$ 515,608	$ 127,420	$ 643,028

The Project Agreement stipulates that operating and financing costs will increase annually based on the Canadian consumer price index. Estimates of inflation are included in the above operating and financing commitments as outlined in the Project Agreement.

11. Commitments and contingencies:

(a) The Hospital is subject to certain actual and potential legal claims, which have arisen in the normal course of operations. In Management's opinion, where the cost of an unfavourable settlement is known or can be estimated, insurance coverage is sufficient to offset the costs, if any, which may result from such claims.

(b) In the normal course of operations, the Hospital is subject to various human resource matters, including grievances filed by employees or groups of employees under Provincial legislation.

(c) The Hospital participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its hospital members. All members of the HIROC pool pay annual premiums, which are actuarially determined. All members are subject to assessment for losses, if any, experienced by the pool for the years in which they were members. No assessments have been made for the year ended March 31, 2022 (2021 – nil).

(d) The Hospital had letters of guarantee outstanding as at March 31, 2022 of $32 (2021 – $570).

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Notes to Financial Statements

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12. Obligations under capital lease:

The Hospital has entered into the following capital lease obligations for equipment:

		2022
Year ended March 31:		
2023	$	2,417
2024		2,034
2025		1,699
2026		1,059
2027		-
Total minimum lease payment		7,209
Less: Amounts representing interest		190
Present value of capital lease obligations		7,019
Less: Current portion of obligation under capital lease		2,417
Long-term portion of obligation under capital lease	$	4,602

13. Employee future benefits:

Employee future benefits consist of the following:

		2022		2021
Accumulated sick leave entitlement (note 9 and note 13(a))	$	89	$	103
Non-pension defined benefits plan (note 9 and note 13(c)):				
Accrued future benefits liability		16,169		15,697
Employee future benefits liability	$	16,258	$	15,800

(a) Accumulated sick leave entitlement:

The accumulated sick leave entitlement reflects the remaining liability from a former plan, with changes during the year representing changes in wage rates and payouts to employees upon retirement or departure.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

13. Employee future benefits (continued):

(b) Pension benefits:

Substantially all full-time employees of the Hospital are members of HOOPP. As HOOPP is a multi-employer, defined benefit pension plan, no actuarial liability has been recorded on the Hospital's financial statements. Employer contributions to HOOPP are expensed as contributions are due.

Employer contributions to HOOPP on behalf of employees amounted to $20,699 during the year ended March 31, 2022 (2021 – $20,457). The financial statements for the year ended December 31, 2021 for HOOPP disclosed net assets available for benefits of $114,414,000 (2020 – $103,983,000), with pension obligations of $85,902,000 (2020 – $79,852,000), resulting in a surplus of $28,512,000 (2020 – $24,131,000). The cost of pension benefits is determined by HOOPP at $1.26 per every dollar of employee contributions. As at December 31, 2021, the HOOPP was 120% funded (2020 – 119%).

(c) Non-pension defined benefit plans:

The non-pension post-retirement and post-employment benefit plans are defined benefit plans funded on a cash basis by contributions from the Hospital. The Hospital has adopted a practice of triennial valuations, with extrapolation of results in the interim years. The most recent actuarial valuation was completed as at March 31, 2021.

During the year ended March 31, 2022, the Hospital made employer contributions of $1,422 (2021 – $1,329).

The net benefit plan expense, which is included in salaries and benefits expenses in the Statement of Operations for the year ended March 31, is as follows:

	2022	2021
Current service costs	$ 598	$ 546
Interest cost	326	372
Amortization of net actuarial gain	971	794
Net benefit plan expense	$ 1,895	$ 1,712

The Hospital's accrued non-pension benefits liability as at March 31 is calculated as follows:

	2022	2021
Accrued Benefit	$ 11,553	$ 11,808
Unamortized net actuarial gain	4,616	3,889
Accrued non-pension benefit liability	$ 16,169	$ 15,697

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
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13. Employee future benefits (continued):

(c) Non-pension defined benefit plans (continued):

The significant actuarial assumptions adopted in measuring the Hospital's accrued non-pension benefit obligation and expense are as follows:

	2022	2021
Discount rate, accrued benefit obligation	3.2–3.7%	2.0–2.9%
Discount rate, net benefir plan expenses	2.0–2.9%	2.5–3.2%
Health cost trends:		
Initial rate	4.5%	4.3%
Ultimate rate	4.1%	4.1%
Year ultimate rate reached	2040	2040

(d) Employee benefit continuance:

During the year ended March 31, 2022, certain employees subject to lay-off have been granted future benefits for a pre-determined period and of a pre-determined nature, subject to the provisions of the relevant collective agreements. These benefits include salary plus benefits continuance, and education support. The cost of salary continuance and education support is recorded in accounts payable and accrued liabilities and the cost of benefits continuance is included in the accrued, non-pension benefit liability in the Statement of Financial Position.

14. Financial risks and risk management:

The Hospital's results and operations have been and will continue to be impacted by the COVID-19 pandemic. The adverse effects include, but are not limited to, a decline in interest rates, increase in counterparty credit risk, volatility in financial markets and disruptions of operations. Significant uncertainty remains regarding the breadth and depth of these events and the long-term impact on the Hospital and its affiliates. In addition to this, the Hospital's operations and investment activities expose it to a range of financial risks. The Hospital manages these risks in accordance with its internal policies.

(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 cash and cash equivalents, restricted cash and cash equivalents and investments, accounts receivable, Ministry of Health capital receivable, and investments in joint ventures. The maximum exposure to credit risk of the Hospital as at March 31, 2022 is the carrying value of these assets.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

14. Financial risks and risk management (continued):

(a) Credit risk (continued):

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. 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 amount of any related impairment loss is recognized in the Statement of Operations. Subsequent recoveries of impairment losses related to accounts receivable are recognized in the Statement of Operations.

Accounts receivable are recorded net of an allowance for doubtful accounts of $532 (2021 – $225). Patient accounts receivable that were past due, but not impaired totaled $1,091 (2021 – $687).

The maximum exposure to credit risk relating to investments is outlined in note 3. The Hospital's investment policy specifies that no investments rated below investment grade by any of the main ratings agencies will be held.

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. 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. The Hospital also has available lines of credit of $20,000 and $10,000 for operating and capital expenditures, respectively (note 6).

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice. The maturities of other financial liabilities are provided in the notes to the financial statements related to those liabilities.

(c) Market risk:

Market risk is the risk that changes in market prices and market conditions, such as foreign exchange rates or interest rates, will affect the Hospital's excess of revenues over expenses 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.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
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14. Financial risks and risk management (continued):

(c) Market Risk (continued):

(i) Foreign exchange risk:

The Hospital is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Hospital makes purchases denominated in U.S. dollars. The Hospital does not currently enter into forward contracts to mitigate this risk.

The Hospital is exposed to foreign exchange risk with respect to investments denominated in U.S dollars and other international currencies. At March 31, 2022, the Hospital held $101,336 CDN (2021 – $92,593) of investments denominated in U.S. dollars and $56,969 CDN (2021 – $59,492) of investments denominated in other international currencies. The Hospital's investment policy statement outlines foreign exchange exposure of between 38% and 74% and a target of 56% of the investment portfolio. At March 31, 2022, the Hospital was in compliance with the investment policy statement

(ii) Interest rate risk:

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

Financial assets with fixed interest rates expose the Hospital to fair value interest rate risk. The Hospital is not exposed to interest rate risk on financial liabilities. There has been no change to the interest risk exposure from 2021.

The Hospital's investments, including bonds and debentures, are disclosed in note 3.

15. Related entities:

(a) St. Joseph's Health Care Foundation:

The Foundation is incorporated under the laws of Ontario as a corporation without share capital with its own separate Board of Directors. The net assets and results of operations of the Foundation are not included in these financial statements.

The Foundation was established on April 1, 2005 as the result of the amalgamation of the former St. Joseph's Health Care Foundation of London and Parkwood Institute Foundation of London, Ontario. The Foundation uses its resources to support research and education initiatives, to pilot new and innovative programs, and for the purchase of specialized equipment at all sites of the Hospital. The Foundation also subsidizes the growth of community outreach programs.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

15. Related entities (continued):

(a) St. Joseph's Health Care Foundation (continued):

During the year ended March 31, 2022, the Foundation provided the Hospital with donations totalling $3,326 (2021 – $3,140). The donations are recorded as deferred capital contributions in the Statement of Financial Position or non-patient goods and services revenue in the Statement of Operations based on the nature of the expenditure the donation is supporting.

The Hospital provides payroll and human resource administrative and support services to the Foundation where the Hospital makes payments on the Foundation's behalf and is reimbursed by the Foundation. During the year, the Hospital incurred total operating costs of $2,163 (2021 – $2,111) on behalf of the Foundation. Amounts receivable from the Foundation as at March 31, 2022 totalled $195 (2021 – $177).

Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

(b) Lawson Research Institute:

On June 26, 2000, LRI entered into an agreement with St. Joseph's Health Care London, London Health Sciences Centre, and the London Health Sciences Centre Research Inc., to form an alliance to conduct all research activities as the Lawson Health Research Institute ("LHRI"). Amended and restated agreements were signed on September 18, 2006 and November 1, 2015. Each organization continues to account for its costs independently. The net assets and results of operations of LRI and LHRI are not included in these financial statements.

The Hospital made payments of $641 (2021 – $641) to LRI in support of operating and administrative expenses, which is recorded in supplies and other expenses in the Statement of Operations.

LRI operates in space owned and supported by the Hospital, and the Hospital is responsible for maintenance and utility costs. During the year, LRI made payments to the Hospital in the amount of $152 (2021 - nil) to partially support these infrastructure costs, which was recorded in non-patient goods and services revenue in the Statement of Operations.

The Hospital provides administrative and support services to LRI including payroll, human resource and accounts payable functions where the Hospital makes payments on LRI's behalf and is reimbursed by LRI. During the year, the Hospital incurred total operating costs of $19,004 (2021 – $18,185) on behalf of LRI. Amounts receivable from LRI as at March 31, 2022 totalled $1,918 (2021 – $2,126).

Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
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15. Related entities (continued):

(c) Healthcare Materials Management Services:

St. Joseph's Health Care London and London Health Sciences Centre are partners in an unincorporated joint venture, HMMS. HMMS consolidates purchasing, warehousing, distribution and payment processing functions and provides similar services to other healthcare institutions. The Hospital accounts for its interest in HMMS using the modified equity method of accounting.

The Hospital's share in HMMS is as follows:

		2022		2021
Total assets	$	9,966	$	7,590
Total liabilities, deferred contributions		9,420		7,078
Net assets	$	546	$	512

		2022		2021
Cash provided by (used in):				
Operating activities	$	70	$	91
Capital activities		(64)		(72)
Financing activities		80		99
Net increase in cash	$	86	$	118

		2022		2021
Revenue	$	4,167	$	3,738
Expenses		4,252		3,811
Deficiency of revenue over expenses	$	(85)	$	(73)

HMMS incurred a total loss during the year ended March 31, 2022 of $461 (2021 – $428). During the year ended March 31, 2022, the Hospital contributed $64 (2021 – $72) towards building and capital equipment investments of $421 (2021 – $427).

HMMS has bank credit facilities consisting of a $10,000 operating line of credit. As at March 31, 2022, HMMS had not drawn on its operating facility. The Hospital has provided a guarantee of 18.36% (2020 – 16.99%) of all credit facilities outstanding.

The Hospital's net investment in HMMS as at March 31, 2022 is $745 (2021 – $752). Amounts payable to HMMS as at March 31, 2022 totalled $1,956 (2021 – $5,403) and are included in accounts payable and accrued liabilities in the Statement of Financial Position.

ST. JOSEPH'S HEALTH CARE LONDON

Notes to Financial Statements

Year ended March 31, 2022
(In thousands of dollars)

15. Related entities (continued):

(c) Healthcare Materials Management Services (continued):

The Hospital provides payroll administrative and support services to HMMS where the Hospital makes payments to employees on HMMS' behalf and is reimbursed by HMMS. During the year, the Hospital incurred total operating costs of $17,761 (2021 – $17,374) on behalf of HMMS. Amounts receivable from HMMS as at March 31, 2022 totalled $1,565 (2021 – $1,523).

Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

(d) Pathology and Laboratory Medicine:

On December 1, 2000, St. Joseph's Health Care London and London Health Sciences Centre entered into a joint venture to consolidate all laboratory services. In April 2014, the joint venture agreement was revised and amended under the name Pathology and Laboratory Medicine. This agreement was amended on January 1, 2017 to modify the methodology used in determining the utilization percentage. The Hospital accounts for its interest in the joint venture using the modified equity method of accounting.

The Hospital's share in PaLM is as follows:

		2022		2021
Total assets	$	1,288	$	1,674
Total liabilities, deferred contributions		467		682
Net assets	$	821	$	992

		2022		2021
Cash provided by (used in):				
Operating activities	$	(3)	$	36
Financing activities		(103)		329
Capital activities		(14)		(544)
Net decrease in cash	$	(120)	$	(179)

		2022		2021
Revenues	$	16,321	$	12,612
Expenses		16,834		12,927
Deficiency of revenues over expenses	$	(513)	$	(315)

PaLM incurred a total loss during the year ended March 31, 2022 of $1,820 (2021 – $1,876), which is equal to the net amortization of capital assets recorded during the year.

ST. JOSEPH'S HEALTH CARE LONDON
Notes to Financial Statements

Year ended March 31, 2022
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15. Related entities (continued):

(d) Pathology and Laboratory Medicine (continued):

During the year, the Hospital contributed $113 (2021 – $128) towards a capital equipment investment of $1,311 (2021 – $3,245).

The Hospital's net investment in PaLM as at March 31, 2022 is $669 (2021 – $875). Amounts payable to PaLM as at March 31, 2022 totalled $5,893 (2021– $1,125).

Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

(e) Information Technology Purchased Services:

ITPS is an unincorporated joint arrangement established to develop and operate a shared electronic health information management system across the region. Purchased services include information systems related to electronic patient records, picture archiving and communication applications. The Hospital accounts for this joint arrangement using the modified equity basis of accounting.

ITPS relies on the Hospital to provide payroll, facilities, and other administrative support, and reimburses the Hospital for costs incurred on its behalf. During the year, the Hospital incurred total operating costs of $310 (2021 – $289) on behalf of ITPS. The Hospital paid $655 (2021 – $841) to ITPS for the Hospital's share of operating costs during the year.

The Hospital's net investment in ITPS as at March 31, 2022 is nil (2021 – nil). Amounts receivable from Regional Shared Services, a division of ITPS, as at March 31, 2022 totalled $276 (2021 – $245).

Transactions are in the normal course of business and are recorded at their exchange amount, which is the amount agreed upon by both parties.

16. Net change in non-cash operating working capital:

The net change in non-cash operating working capital consists of the following:

		2022		2021
Accounts receivable	$	(391)	$	(10,633)
Prepaid expenses and other assets		(731)		(1,383)
Accounts payable and accrued liabilities		14,290		16,442
	$	13,168	$	4,426

17. Comparative information:

Certain of the 2021 comparative information has been reclassified to conform to the financial statement presentation adopted in the current year.