

St. Joseph's Villa of Sudbury Inc.

Financial Statements

Year ended March 31, 2015



INDEPENDENT AUDITOR'S REPORT

To: The Members of
St. Joseph's Villa of Sudbury Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of **St. Joseph's Villa of Sudbury Inc.**, which comprise the statement of financial position as at **March 31, 2015**, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT, continued*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Joseph's Villa of Sudbury Inc. as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Freelandt Caldwell Reilly LLP". The signature is written in a cursive, flowing style.**FREELANDT CALDWELL REILLY LLP**

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
June 18, 2015

St. Joseph's Villa of Sudbury Inc.
Statement of Financial Position
March 31, 2015 with comparative figures for 2014

	2015	2014
Assets		
Current		
Cash	\$ 415,058	\$ 142,479
Accounts receivable (note 3)	120,824	140,064
Inventory	75,033	90,114
Prepaid expenses	24,543	28,326
Advances to related parties (note 4)	1,312,903	1,443,775
Advances to St. Joseph's Foundation of Sudbury (note 5)	5,768	2,011
	1,954,129	1,846,769
Tangible capital assets (note 6)	295,728	254,575
Restricted cash (note 7)	16,574	17,943
	\$ 2,266,431	\$ 2,119,287

Liabilities and net assets

Current		
Accounts payable and accrued liabilities (note 9)	\$ 894,647	\$ 763,180
Deferred revenue	17,714	30,917
Payable to the Ontario Ministry of Health and Long-Term Care (note 10)	87,995	95,372
	1,000,356	889,469
Deferred tangible capital contributions (note 11)	13,568	20,240
Held in trust for residents (note 7)	16,574	17,943
	1,030,498	927,652

Net assets

Unrestricted	693,773	597,300
Investment in Tangible Capital Assets	282,160	234,335
Internally Restricted	260,000	360,000
	1,235,933	1,191,635
	\$ 2,266,431	\$ 2,119,287

Contingent liabilities (note 12)

Approved on behalf of the board

Members _____

Members _____

St. Joseph's Villa of Sudbury Inc.**Statement of Operations****Year ended March 31, 2015 with comparative figures for 2014**

	2015	2014
Revenues		
Ontario Ministry of Health and Long-term Care (note 10)	\$ 5,971,345	\$ 5,804,200
Resident fees	2,980,411	2,901,133
Other	57,438	69,989
Amortization of deferred tangible capital contributions	6,672	6,673
	<hr/> 9,015,866	<hr/> 8,781,995
Expenditures		
Nursing - direct & administration	4,394,201	4,341,892
Food services	1,040,195	1,046,675
Rent	822,000	781,991
Administration	701,583	457,289
Plant maintenance	418,353	430,540
Programs	436,007	415,193
Plant operations & communications	397,137	363,190
Housekeeping	306,449	304,865
Laundry and linen	199,281	219,383
Amortization	118,847	113,029
Health records	66,496	63,945
Information Systems	71,019	44,760
	<hr/> 8,971,568	<hr/> 8,582,752
Excess of revenues over expenditures	<hr/> \$ 44,298	<hr/> \$ 199,243

St. Joseph's Villa of Sudbury Inc.
Statement of Changes in Net Assets
Year ended March 31, 2015 with comparative figures for 2014

	2015			
	Total	Unrestricted	Investment in Tangible Capital Assets	Internally Restricted
Balance, beginning of year	\$ 1,191,635	\$ 597,300	\$ 234,335	\$ 360,000
Excess of revenues over expenditures	44,298	44,298	-	-
Amortization	-	118,847	(118,847)	-
Additions to tangible capital assets	-	-	160,000	(160,000)
Transfer	-	(60,000)	-	60,000
Amortization of deferred tangible capital contributions	-	(6,672)	6,672	-
Balance, end of year	\$ 1,235,933	\$ 693,773	\$ 282,160	\$ 260,000

	2014			
	Total	Unrestricted	Investment in Tangible Capital Assets	Internally Restricted
Balance, beginning of year	\$ 992,392	\$ 502,460	\$ 289,932	\$ 200,000
Excess of revenues over expenditures	199,243	199,243	-	-
Amortization	-	113,029	(113,029)	-
Additions to tangible capital assets	-	(50,759)	50,759	-
Transfer	-	(160,000)	-	160,000
Amortization of deferred tangible capital contributions	-	(6,673)	6,673	-
Balance, end of year	\$ 1,191,635	\$ 597,300	\$ 234,335	\$ 360,000

St. Joseph's Villa of Sudbury Inc.**Cash Flows Statement****Year ended March 31, 2015 with comparative figures for 2014**

	2015	2014
Cash flows from operating activities		
Excess of revenues over expenditures	\$ 44,298	\$ 199,243
Adjustments for non-cash items		
Amortization	118,847	113,029
	163,145	312,272
Change in non-cash working capital items		
Accounts receivable	19,240	72,617
Inventory	15,081	5,281
Prepaid expenses	3,783	9,521
Advances from St. Joseph's Foundation of Sudbury	(3,757)	738
Accounts payable and accrued liabilities	131,467	22,073
Deferred revenue	(13,203)	(22,098)
Payable to the Ontario Ministry of Health and Long-Term Care	(7,377)	(25,984)
	308,379	374,420
Cash flows from investing activities		
Advances to related parties	130,872	(252,140)
Purchase of tangible capital assets	(160,000)	(50,759)
	(29,128)	(302,899)
Cash flows from financing activity		
Deferred tangible capital contributions	(6,672)	(6,673)
Increase in cash	272,579	64,848
Cash, beginning of year	142,479	77,631
Cash, end of year	\$ 415,058	\$ 142,479

St. Joseph's Villa of Sudbury Inc.

Notes to the Financial Statements

Year ended March 31, 2015 with comparative figures for 2014

1. Nature of operations

St. Joseph's Villa of Sudbury Inc. (the "SJV") was incorporated, without share capital, under the laws of the province of Ontario on September 13, 2002 and began operations in December 2003. It operates a long-term care facility in the City of Greater Sudbury, Ontario. The facility is a not-for-profit organization and is exempt from tax under the Income Tax Act (Canada) and is sponsored by the Catholic Health Sponsors of Ontario.

The St. Joseph's Health Centre of Sudbury (the "Health Centre") owns the operating licence and the facilities in which the SJV operates. The SJV is responsible for the management of the facilities on behalf of the Health Centre.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit enterprises. The significant policies are detailed as follows:

(a) Inventory

Inventory is valued at cost. Cost is determined using the purchased cost basis.

(b) Tangible capital assets

Tangible capital assets are recorded at cost. The organization provides for amortization using the following methods at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates and methods are as follows:

Equipment	5 & 10 years Straight-line
Computer equipment	5 years Straight-line
Handi-bus	30% Declining balance
Piano	20% Declining balance

Amortization of leasehold improvements is recorded over the remaining term of the lease plus the first renewal option.

Additions are amortized at one-half the annual rate in the year of acquisition.

(c) Deferred tangible capital contributions

Government assistance for tangible capital assets are recorded as an addition to deferred tangible capital contributions.

Deferred tangible capital contributions are amortized on the same basis as the tangible capital assets to which they relate.

St. Joseph's Villa of Sudbury Inc.

Notes to the Financial Statements

Year ended March 31, 2015 with comparative figures for 2014

2. Significant accounting policies, continued

(d) Internally restricted net assets

Restricted net assets represent amounts internally restricted for unforeseen expenses.

(e) Financial instruments

(i) Measurement of financial instruments

The SJV initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The SJV subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash, accounts receivable and restricted cash.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, payable to the Ontario Ministry of Health and Long-term Care and held in trust for residents.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ♦ the present value of the cash flows expected to be generated by the asset or group of assets;
- ♦ the amount that could be realized by selling the assets or group of assets;
- ♦ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

St. Joseph's Villa of Sudbury Inc.

Notes to the Financial Statements

Year ended March 31, 2015 with comparative figures for 2014

2. Significant accounting policies, continued

(f) Revenue recognition

The SJV follows the deferral method of accounting for contributions.

The SJV is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health and Long-Term Care. These contributions are recorded as revenue in the period to which they relate. Contributions approved but not received at the end of the year are accrued.

Unrestricted contributions are recognized as revenue when received or receivable.

The revenue earned from residents is recognized as services are rendered.

(g) Contributed services

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

(h) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates. Amounts affected by significant estimates are amounts payable to the Ontario Ministry of Health and Long-Term Care and accounts payable and accrued liabilities.

3. Accounts receivable

	2015	2014
Canada Revenue Agency (HST)	\$ 56,672	\$ 48,750
St. Joseph's Auxiliary	49,239	50,030
Other	6,722	8,660
Ontario Ministry of Health and Long-Term Care	4,325	4,615
Residents	3,866	28,009
	<u>\$ 120,824</u>	<u>\$ 140,064</u>

St. Joseph's Villa of Sudbury Inc.

Notes to the Financial Statements

Year ended March 31, 2015 with comparative figures for 2014

4. Related party transactions

- (a) The SJV is related to the St. Joseph's Health Centre of Sudbury, St. Joseph's Continuing Care Centre of Sudbury and St. Gabriel's Villa of Sudbury by virtue of common board members.
- (b) An agreement exists between the Health Centre and the SJV that states that the SJV will pay rent in the amount equal to the mortgage payments (principal and interest) and property taxes paid by the Health Centre for the facilities in which the SJV operates. The rent for the year was \$822,000 (2014 - \$781,991).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The SJV provides laundry and food services to the SJCCC. The amount of food services for the year was \$482,828 (2014 - \$475,601) and laundry services for the year was \$66,339 (2014 - \$9,522).

(c) Advances to related parties

	2015	2014
St. Joseph's Health Centre of Sudbury	\$ 676,412	\$ 382,743
St. Joseph's Continuing Care Centre of Sudbury	621,624	1,017,856
St. Gabriel's Villa of Sudbury	14,867	43,176
	<u>\$ 1,312,903</u>	<u>\$ 1,443,775</u>

The advances to related parties are unsecured, non-interest bearing with no specific terms of repayment.

5. Advances to St. Joseph's Foundation of Sudbury

St. Joseph's Foundation of Sudbury is a not-for-profit organization that supports the work of the Sisters of St. Joseph of Sault Ste-Marie in the district of Sudbury. The St. Joseph's Foundation of Sudbury periodically will donate to the SJV capital assets or funds for the specific purpose of purchasing capital assets.

These advances are unsecured, non-interest bearing with no specific terms of repayment.

St. Joseph's Villa of Sudbury Inc.**Notes to the Financial Statements****Year ended March 31, 2015 with comparative figures for 2014**

6. Tangible capital assets

			2015	2014
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	\$ 160,000	\$ 16,000	\$ 144,000	\$ -
Equipment	958,461	815,084	143,377	241,108
Computer equipment	24,376	16,746	7,630	12,505
Handi-bus	10,000	9,657	343	490
Piano	3,127	2,749	378	472
	\$ 1,155,964	\$ 860,236	\$ 295,728	\$ 254,575

Cost and accumulated amortization at March 31, 2014 amounted to \$995,964 and 741,389 respectively.

7. Restricted cash

The restricted cash represents funds held in trust for residents for small purchases made by them throughout the year.

8. Bank indebtedness

The SJV has an overdraft lending agreement facility with the Bank of Montreal to a maximum of \$200,000 with interest charged at prime minus 0.75% per annum. The overdraft facility has been guaranteed by St. Joseph's Health Centre of Sudbury. At March 31, 2015 there was no amount drawn on this facility.

9. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances owing in the amount of \$116,472 (2014 - \$83,919).

St. Joseph's Villa of Sudbury Inc.**Notes to the Financial Statements****Year ended March 31, 2015 with comparative figures for 2014**

10. Payable to the Ontario Ministry of Health and Long-Term Care

The amounts payable to the Ontario Ministry of Health and Long-Term Care (the Ministry) are as follows:

	2015	2014
Peritoneal Dialysis Funding	\$ 65,624	\$ 78,924
Resident Co-Payment Reduction (receivable)	14,050	8,127
RPN Initiative Funding	8,321	8,321
	\$ 87,995	\$ 95,372

The Peritoneal Dialysis Funding were grants to provide peritoneal dialysis services, since no dialysis patients were treated, amounts remain payable back to the Ministry.

The RPN Initiative Funding represents monies received by the SJV to create a new and permanent RPN position. The portion of monies not spent for this new position are still considered payable back to the Ministry.

The Resident Co-Payment Reduction represents the amount payable (receivable) to (from) the Ministry for the excess (deficiency) of resident fees over the amount estimated by the Ministry based on the Northern Regional Average per diem.

Funding from the Ministry is paid to the Health Centre under their licensing agreement. The Health Centre transfers these funds, less the amount required to pay for the mortgage on the facilities in which the SJV operates, to the SJV.

11. Deferred tangible capital contributions

Deferred contributions related to tangible capital assets represent restricted contributions used for the purchase of equipment. The changes in the year are as follows:

	2015	2014
Balance, beginning of year	\$ 20,240	\$ 26,913
Less: amounts recognized as revenue during the year	(6,672)	(6,673)
	\$ 13,568	\$ 20,240

St. Joseph's Villa of Sudbury Inc.

Notes to the Financial Statements

Year ended March 31, 2015 with comparative figures for 2014

12. Contingent liabilities

The Health Centre has entered into accountable contribution agreements with the Ministry (see note 10). The programs are subject to audit by the Ministry and should these audits result in recoveries of contributions, the amount of these recoveries would be charged to the SJV and be recorded in the period in which they are determined.

The organization will be required to submit a Long-Term Care Facility Annual Report to the Ontario Ministry of Health and Long-Term Care. Annual reconciliations are completed on a calendar basis. Accordingly, at March 31, 2015 management has estimated an amount payable to the Ministry (see note 10).

13. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. The organization is exposed to the following risks in respect of certain of the financial instruments held:

(a) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The SJV is exposed to this risk relating to its cash and accounts receivable. The exposure to credit risk is outlined below.

The SJV minimizes risk associated with its cash accounts by ensuring these financial assets are placed with large reputable financial institutions with high credit ratings.

The SJV is exposed to credit risk in accounts receivable of \$120,824 (2014 - \$140,064). The SJV measures its exposure to credit risk with respect to accounts receivable based on how long the amounts have been outstanding and management's analysis of accounts.

Refer to note 2(e) regarding the organization's policies for assessing impairment of financial assets measured at other than fair value which includes advances to related parties.

(b) Liquidity risk

Liquidity risk is the risk that an organization cannot repay its obligations when they become due to its creditor. The SJV is exposed to this risk relating to its accounts payable and accrued liabilities and payable to the Ontario Ministry of Health and Long-Term Care of \$982,642 (2014 - \$858,552). The SJV reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate line of credit to repay trade creditors.

St. Joseph's Villa of Sudbury Inc.**Notes to the Financial Statements****Year ended March 31, 2015 with comparative figures for 2014**

13. Financial instruments, continued**(c) Interest rate risk**

Interest rate risk is the risk that the organization has interest rate exposure on its bank indebtedness, which is variable based on the bank's prime rates. The organization is exposed to interest rate risk with respect to the use of the overdraft facility. This exposure may have an effect on its earnings in future periods. The organization reduces its exposure to interest rate risk by regularly monitoring published bank prime interest rates which have been relatively stable over the period presented.

14. Operating expenses listed by type

	2015	2014
Wages and employee benefits	\$ 6,499,233	\$ 6,183,363
Rent	822,000	781,991
Food	383,347	390,906
Utilities	325,882	296,443
Supplies	269,494	312,128
Amortization	118,847	113,029
Purchased services	116,647	99,570
Consulting fees	102,395	80,884
Office and general	67,933	75,565
Equipment costs	58,651	62,123
Insurance	50,913	41,145
Repairs and maintenance	50,348	49,728
Professional fees	35,150	21,977
Licences, fees and dues	20,312	17,441
Advertising and promotion	18,169	10,647
Telephone	12,271	17,512
Bank and interest charges	7,879	24,591
Training and development	7,285	1,313
Travel	4,812	1,146
Union expenses	-	1,250
	\$ 8,971,568	\$ 8,582,752
