# St. Joseph's Continuing Care Centre of Sudbury

## Financial Statements

Year ended March 31, 2015

FREELANDT CALDWELL REILLY
CHARTERED PROFESSIONAL ACCOUNTANTS

BERNIE R. FREELANDT, FCPA, FCA • EDWIN P. REILLY, CPA, CA • SAM P. LOLAS, CPA, CA • KIRBY W. HOULE, CPA, CA

# MANAGEMENT RESPONSIBILITY STATEMENT

The accompanying financial statements of St. Joseph's Continuing Care Centre of Sudbury ("SJCCC") are the responsibility of the SJCCC's management and have been prepared in compliance with legislation, and in accordance with Canadian public sector accounting standards for government not-for-profit organizations established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to these financial statements. The preparation of the financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The SJCCC's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board of Directors meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by FREELANDT CALDWELL REILLY LLP, Chartered Professional Accountants, independent external auditors appointed by the SJCCC. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the SJCCC's financial statements.

President, Board of Directors
June 18, 2015

62 Frood Road — Suite 301
Sudbury, Ontario P3C 4Z3
T 705.675.2200
F 705.675.2515

fcrca.com

30 McCulloch Drive
Espanola, Ontario P5E 1J1
T 705.869.3351
F 705.869.4601

## INDEPENDENT AUDITOR'S REPORT

To: The Members of
**St. Joseph's Continuing Care Centre of Sudbury**

*Report on the Financial Statements*
We have audited the accompanying financial statements of **St. Joseph's Continuing Care Centre of Sudbury**, which comprise the statement of financial position as at **March 31, 2015**, and the statements of operations, changes in net assets (deficiency 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 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.

*Auditor's Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained in the Basis for Qualified Opinion paragraph, 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.

Except as explained in the Basis for Qualified Opinion paragraph, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

## INDEPENDENT AUDITOR'S REPORT, continued

*Basis for Qualified Opinion*
In common with many charitable organizations, the organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenues was limited to the amounts recorded in the records of the organization and were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenues over expenditures, assets and net assets.

*Qualified Opinion*
In our opinion, except for the possible effects of the matter noted in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Freelandt Caldwell Reilly LLP

**FREELANDT CALDWELL REILLY LLP**

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
June 18, 2015

## St. Joseph's Continuing Care Centre of Sudbury
**Statement of Financial Position**
**March 31, 2015 with comparative figures for 2014**

| | 2015 | 2014 |
|---|---|---|
| **Assets** | | |
| **Current** | | |
| Cash | $ 1,314,242 | $ 1,404,128 |
| Accounts receivable (note 3) | 72,806 | 175,761 |
| Inventory | 88,205 | 60,883 |
| Prepaid expenses | 23,056 | 15,602 |
| Advances to related party (note 4) | - | 147,668 |
| | 1,498,309 | 1,804,042 |
| **Restricted cash (note 5)** | 500 | 248 |
| **Property and equipment (note 6)** | 19,459,195 | 20,146,923 |
| | $ 20,958,004 | $ 21,951,213 |
| **Liabilities and net assets (deficiency in net assets)** | | |
| **Current** | | |
| Accounts payable and accrued liabilities | $ 691,334 | $ 789,009 |
| Advances from related parties (note 4) | 1,120,752 | 2,118,078 |
| | 1,812,086 | 2,907,087 |
| **Deferred revenue** | 31,655 | - |
| **Funds held in trust (note 5)** | 500 | 248 |
| **Deferred contributions (note 8)** | 18,849,889 | 19,543,640 |
| **Post-employment benefits (note 9)** | 113,300 | 89,500 |
| | 20,807,430 | 22,540,475 |
| **Net assets (deficiency in net assets)** | | |
| Unrestricted | (463,724) | (1,247,489) |
| Invested in capital assets | 614,298 | 658,227 |
| | 150,574 | (589,262) |
| | $ 20,958,004 | $ 21,951,213 |

Approved on behalf of the board

Members ______________________________

Members ______________________________

## St. Joseph's Continuing Care Centre of Sudbury

**Statement of Operations**

**Year ended March 31, 2015 with comparative figures for 2014**

| | 2015 | 2014 |
|---|---|---|
| **Revenues** | | |
| Ministry of Health and Long-Term Care/Local Health Integration Network | $ 10,528,024 | $ 10,027,683 |
| Amortization of deferred capital contributions | 643,799 | 652,242 |
| Other | 193,778 | 223,805 |
| | 11,365,601 | 10,903,730 |
| **Expenditures** | | |
| Salaries and wages | 6,674,974 | 6,845,638 |
| Employee benefits | 1,269,406 | 1,240,468 |
| Supplies and other | 1,193,023 | 1,195,923 |
| Amortization | 697,102 | 730,320 |
| Drugs | 385,872 | 436,666 |
| Medical and surgical | 325,292 | 366,682 |
| Medical staff remuneration | 80,096 | 80,696 |
| | 10,625,765 | 10,896,393 |
| **Excess of revenues over expenditures** | $ 739,836 | $ 7,337 |

# St. Joseph's Continuing Care Centre of Sudbury

**Statement of Changes in Net Assets (Deficiency in Net Assets)**
**Year ended March 31, 2015 with comparative figures for 2014**

| 2015 | | | | |
|---|---|---|---|---|
| | | Total | Unrestricted | Invested in capital assets |
| **Balance, beginning of year** | $ | (589,262) $ | (1,247,489) $ | 658,227 |
| Excess of revenues over expenditures | | 739,836 | 739,836 | - |
| Capital assets funded by operations | | - | (9,374) | 9,374 |
| Amortization | | - | 53,303 | (53,303) |
| **Balance, end of year** | $ | 150,574 $ | (463,724) $ | 614,298 |

| 2014 | | | | |
|---|---|---|---|---|
| | | Total | Unrestricted | Invested in capital assets |
| **Balance, beginning of year** | $ | (596,599) $ | (1,307,538) $ | 710,939 |
| Excess of revenues over expenditures | | 7,337 | 7,337 | - |
| Capital assets funded by operations | | - | (25,365) | 25,365 |
| Amortization | | - | 78,077 | (78,077) |
| **Balance, end of year** | $ | (589,262) $ | (1,247,489) $ | 658,227 |

## St. Joseph's Continuing Care Centre of Sudbury

**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 | $ 739,836 | $ 7,337 |
| Adjustments for non-cash items | | |
| Amortization | 697,102 | 730,320 |
| Amortization of deferred capital contributions | (643,799) | (652,243) |
| | 793,139 | 85,414 |
| Change in non-cash working capital items | | |
| Accounts receivable | 102,955 | 30,014 |
| Inventory | (27,322) | 25,522 |
| Prepaid expenses | (7,454) | 4,684 |
| Accounts payable and accrued liabilities | (97,675) | (244,218) |
| | 763,643 | (98,584) |
| **Cash flows from capital activity** | | |
| Purchase of property and equipment | (9,374) | (25,365) |
| **Cash flows from financing activities** | | |
| Advances from (to) related parties | (849,658) | (138,119) |
| Deferred revenue | 31,655 | - |
| Deferred contributions | (49,952) | 54,146 |
| Post-employment benefits | 23,800 | 23,000 |
| | (844,155) | (60,973) |
| **Decrease in cash** | (89,886) | (184,922) |
| **Cash, beginning of year** | 1,404,128 | 1,589,050 |
| **Cash, end of year** | $ 1,314,242 | $ 1,404,128 |

### 1. Nature of operations

St. Joseph's Continuing Care Centre of Sudbury (the "SJCCC") was incorporated, without share capital, under the laws of the province of Ontario on January 18, 2008 and commenced operations on June 1, 2009.

Throughout the year, the SJCCC operated 64 Complex Continuing Care beds.

St. Joseph's Continuing Care Centre of Sudbury operates as a hospital providing programs for complex continuing care patients and related services. The SJCCC is a registered charity under the Income Tax Act and is sponsored by the Catholic Health Sponsors of Ontario.

### 2. Significant accounting policies

The financial statements of the SJCCC are prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the PS 4200 series of standards, as issues by the Public Sector Accounting Board. The significant policies are detailed as follows:

#### (a) Inventory

Inventory is valued at the lower of cost and replacement cost. Cost is determined using the average method.

#### (b) Property and equipment

Property and equipment are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the property and equipment over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rates are as follows:

| | |
|---|---|
| Building and site services | 40 years |
| Furniture and equipment | 3 to 20 years |
| Information technology | 5 to 10 years |
| Signs | 10 years |

2. **Significant accounting policies, continued**

(c) **Retirement and Post-employment benefits**

The SJCCC provides retirement and post-employment benefits to certain employee groups. These benefits include pension. health and dental benefits. The SJCCC has adopted the following policies with respect to accounting for these employee benefits:

i) The costs of post-employment benefits are determined using management's best estimate of health care costs, employee turnover rates and discount rates. Adjustments to these costs arising from plan amendments and changes in estimates are accounted for in the period of the amendment or change.

ii) The expense related to the multi-employer defined benefit pension plan are the employer's contributions to the plan in the year.

iii) The discount rate used in the determination of post-employment benefits is equal to the SJCCC's internal rate of borrowing.

(d) **Deferred revenue**

The unexpended portion of grants received for non-specific purposes is recorded in the accounts as deferred revenue.

(e) **Revenue recognition**

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

The SJCCC is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care/Local Health Integration Network ("LHIN"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a 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 can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis. at a rate corresponding with the amortization rate for the related capital assets.

Other revenue from insurance plans and accommodation services are recognized when the service is provided.

2. **Significant accounting policies, continued**

(f) **Use of estimates**

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Amounts affected by significant estimates include amortization of property and equipment, amortization of deferred capital contributions and post-employment benefits.

(g) **Financial instruments**

(i) **Measurement of financial instruments**

The SJCCC 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 SJCCC subsequently measures its financial assets and liabilities at amortized cost except for investments in equity securities that are quoted in an active market or financial assets or liabilities designated to the fair value category, which are subsequently measured at fair value. Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, at which point they are transferred to the statement of operations.

Financial assets and liabilities measured at amortized cost include cash, accounts receivable, restricted cash, accounts payable and accrued liabilities and funds held in trust.

(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.

## 3. Accounts receivable

| | | 2015 | | 2014 |
|---|---|---|---|---|
| Canada Revenue Agency (HST/GST) | $ | 54,501 | $ | 55,364 |
| Patients | | 11,594 | | 10,463 |
| Other | | 6,711 | | 3,434 |
| Ministry of Health and Long-Term Care | | - | | 106,500 |
| | $ | 72,806 | $ | 175,761 |

## 4. Advances to/from related parties and related party transactions

(a) The SJCCC is related to the St. Joseph's Health Centre of Sudbury ("Health Centre") and St. Joseph's Villa ("SJV") of Sudbury and St. Gabriel's Villa of Sudbury by virtue of common board members.

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

(b) 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).

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.

(c) Advances to related party

| | | 2015 | | 2014 |
|---|---|---|---|---|
| St. Gabriel's Villa of Sudbury | $ | - | $ | 147,668 |

(d) Advances from related parties

| | | 2015 | | 2014 |
|---|---|---|---|---|
| St. Joseph's Villa of Sudbury Inc. | $ | 621,624 | $ | 1,017,856 |
| St. Joseph's Health Centre of Sudbury | | 496,755 | | 1,100,222 |
| St. Gabriel's Villa of Sudbury | | 2,373 | | - |
| | $ | 1,120,752 | $ | 2,118,078 |

## 5. Restricted cash

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

## 6. Property and equipment

| | | | 2015 | 2014 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net | Net |
| Building and site services | $ 21,700,724 | $ 2,964,819 | $ 18,735,905 | $ 19,268,932 |
| Furniture and equipment | 1,335,939 | 664,876 | 671,063 | 782,673 |
| Information technology | 337,358 | 328,777 | 8,581 | 45,266 |
| Signs | 64,066 | 20,420 | 43,646 | 50,052 |
| | $ 23,438,087 | $ 3,978,892 | $ 19,459,195 | $ 20,146,923 |

## 7. Bank indebtedness

The SJCCC has an overdraft lending agreement facility with the Bank of Montreal to a maximum of $500,000 with interest charged at prime plus 0.75% per annum. At March 31, 2015 there was no amount drawn on this facility.

## 8. Deferred contributions - Ministry of Health and Long-term Care

Deferred capital contributions represent the unamortized and unspent amount of restricted contributions with which the organization's property and equipment were originally purchased.

| | 2015 | 2014 |
|---|---|---|
| Unamortized capital contributions | $ 18,844,896 | $ 19,488,695 |
| Unspent hospital improvement plan development 13-14 | - | 50,000 |
| Unspent small hospital palliative care education plan 13-14 | 4,993 | 4,945 |
| | $ 18,849,889 | $ 19,543,640 |

| | 2015 | 2014 |
|---|---|---|
| Balance, beginning of year | $ 19,543,640 | $ 20,140,937 |
| Additional contributions received | 48 | 54,945 |
| Less: amounts amortized | (643,799) | (652,242) |
| Less: amounts taken to revenue | (50,000) | - |
| | $ 18,849,889 | $ 19,543,640 |

## 9. Post-employment benefits

The organization pays certain health, dental and life insurance benefits on behalf of its retired employees and recognizes these post-retirement costs in the period in which the employees rendered their services. During the current year, an actuarial valuation was prepared which calculated the accrued benefit obligation at March 31, 2015. The accrued benefit liability and the expense for the period ended March 31, 2015 were determined using a discount rate of 3.31% (2014 - 4.36%). The accrued benefit obligation is as follows:

| | 2015 | 2014 |
|---|---|---|
| Accrued benefit obligation, beginning of year | $ 89,500 | $ 66,500 |
| Benefits paid for the period | 23,800 | 23,000 |
| | 23,800 | 23,000 |
| | $ 113,300 | $ 89,500 |

The main assumptions employed for the valuations are as follows:

(a) Interest (discount) rate: The obligation as at March 31, 2015 for the present value of future liabilities and the expense for the period ended March 31, 2015 were determined using an annual discount rate of 3.31%.

(b) Benefit costs: Future general benefit costs were assumed to increase at the following rates: dental 3% per annum and health 7.0% in the initial year, decreasing by 0.5% per annum to a rate of 4.5% per annum.

## 10. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

## 11. 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:

11. **Financial instruments, continued**

(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 SJCCC is exposed to this risk relating to its cash and accounts receivable.

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

The SJCCC is exposed to credit risk in accounts receivable of $72,806 (2014 - $175,761). The SJCCC 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(f) 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 the company cannot repay its obligations when the become due to its creditors. The SJCCC is exposed to this risk relating to its accounts payable and accrued liabilities of $691,336 (2014 - $789,009).

The SJCCC reduces its exposure to liquidity risk by monitoring cash activities and expected outflow through extensive budgeting and maintaining enough cash and investments to repay trade creditors as payables become due.

12. **Pension plan**

Substantially all of the full time employees of the organization are members of the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer defined benefit plan. Defined contribution plan accounting principles are applied to a multi-employer plan, whereby contributions are expensed when due, as the organization has insufficient information available to apply defined benefit plan accounting principles. The organization records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the plan for past employee service.

Contributions made to HOOPP during the year on behalf of the employees amounted to $342,045 (2014 - $343,115). These amounts are included in employee benefits in the statement of operations. The most recent actuarial valuation of HOOPP indicates that HOOPP is fully funded on a solvency basis.