

Financial Statements of

**ST. GABRIEL'S VILLA
OF SADBURY**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Members of St. Gabriel's Villa of Sudbury

We have audited the accompanying financial statements of St. Gabriel's Villa of Sudbury, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Gabriel's Villa of Sudbury, as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 21, 2018

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 270,471	\$ 242,376
Accounts receivable (note 2)	93,868	87,062
Advances to related parties (note 3)	855,118	742,923
Inventory	41,061	43,521
Prepaid expenses	22,235	28,601
	<u>1,282,753</u>	<u>1,144,483</u>
Restricted cash (note 4)	10,866	14,806
Tangible capital assets (note 5)	332,034	340,199
	<u>\$ 1,625,653</u>	<u>\$ 1,499,488</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 688,371	\$ 582,126
Payable to the Ontario Ministry of Health and Long-Term Care (note 7)	15,210	30,583
Advances from related parties (note 3)	78,007	25,864
	<u>781,588</u>	<u>638,573</u>
Funds held in trust (note 4)	10,866	13,996
Deferred tangible capital contributions (note 8)	2,848	5,302
	<u>795,302</u>	<u>657,871</u>
Net assets:		
Unrestricted	75,525	81,079
Invested in tangible capital assets	329,187	334,899
Internally restricted	425,639	425,639
	<u>830,351</u>	<u>841,617</u>
Contingent liabilities (note 9)		
	<u>\$ 1,625,653</u>	<u>\$ 1,499,488</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Ontario Ministry of Health and Long-Term Care (note 7)	\$ 6,104,042	\$ 5,921,197
Resident fees	3,226,475	3,138,452
Other	25,749	34,044
Amortization of deferred tangible capital contributions	2,454	5,468
	<u>9,358,720</u>	<u>9,099,161</u>
Expenses (note 11):		
Nursing - direct and administration	4,775,009	4,640,452
Food services	1,099,682	1,037,130
Rent (note 3)	739,440	739,440
Administration	716,863	679,552
Programs	498,243	490,312
Plant maintenance	428,949	442,437
Plant operations and communications	369,354	393,444
Housekeeping	329,587	322,341
Laundry and linen	199,873	196,408
Information systems	96,763	98,873
Health records	71,044	74,212
Amortization of tangible capital assets	45,179	38,985
	<u>9,369,986</u>	<u>9,153,586</u>
Deficiency of revenue over expenses	\$ (11,266)	\$ (54,425)

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted	Invested in Tangible Capital Assets	Internally Restricted	Total 2018	Total 2017
Balance, beginning of year	\$ 81,079	334,899	425,639	841,617	896,042
Excess (deficiency) of revenue over expenses	31,459	(42,725)	-	(11,266)	(54,425)
Interfund transfers	(37,013)	37,013	-	-	-
Balance, end of year	\$ 75,525	329,187	425,639	830,351	841,617

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (11,266)	\$ (54,425)
Items not involving cash:		
Amortization of deferred tangible capital contributions	(2,454)	(5,468)
Amortization of tangible capital assets	45,179	38,985
	31,459	(20,908)
Change in non-cash working capital balances:		
Decrease (increase) in accounts receivable	(6,806)	194,939
Decrease in inventory	2,460	13,573
Decrease (increase) in prepaid expenses	6,366	(3,048)
Increase (decrease) in accounts payable and accrued liabilities	106,244	(127,670)
Decrease in payable to the Ontario Ministry of Health and Long-Term Care	(15,373)	(133,697)
Decrease in deferred revenue	-	(8,864)
Net change in funds held in trust for residents	(3,130)	(712)
	121,220	(86,387)
Cash flows from investing activities:		
Advances with related parties (net of repayments)	(60,052)	332,495
Purchase of tangible capital assets	(37,013)	(166,926)
	(97,065)	165,569
Net increase in cash	24,155	79,182
Cash, beginning of year	257,182	178,000
Cash, end of year	\$ 281,337	\$ 257,182
Cash consists of:		
Cash	270,471	242,376
Restricted cash	10,866	14,806
Cash, end of year	\$ 281,337	\$ 257,182

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements

Year ended March 31, 2018

St. Gabriel's Villa of Sudbury (the "Villa") was incorporated, without share capital, under the laws of Ontario on January 22, 2010 and commenced operations in March 2011. It operates a long-term care facility in the City of Greater Sudbury, Ontario. The Villa 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 facilities in which the Villa operates. The Villa is responsible for the management of the facilities on behalf of the Health Centre.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition:

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

The Villa 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 amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized.

Contributions restricted for the purchase of tangible capital assets are deferred and amortized into revenue on the straight-line basis at rates corresponding to those of the related tangible capital assets.

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

(b) Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined using the weighted average method.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost. The Villa provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Equipment	5 to 15 years
Handi-bus	10 years
Computer equipment	5 years
Leasehold improvements	10 years
Furniture	20 years

Amortization is taken at 50% of the above rates in the year of acquisition and no amortization is recorded in the year of disposal.

(d) 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.

(e) Internally restricted net assets:

Restricted net assets represent amounts internally restricted for unforeseen expenses.

(f) Contributed services:

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

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Financial instruments:

(i) Measurement of financial instruments:

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 other than fair value 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 excess of deficiency of revenue over expenses. 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 excess of deficiency of revenue over expenses up to the amount of the previously recognized impairment.

(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.

2. Accounts receivable:

	2018	2017
Canada Revenue Agency (HST)	\$ 42,036	43,750
Residents	36,581	31,808
Other	11,446	9,659
Ontario Ministry of Health and Long-Term Care	3,805	1,845
	\$ 93,868	87,062

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Related party transactions:

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

(b) Advances to related parties:

	2018	2017
St. Joseph's Health Centre of Sudbury	\$ 855,118	742,923

An agreement exists between the Health Centre and the Villa that states that the Villa 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 Villa operates. The rent for the year was \$739,440 (2017 - \$739,440).

These transaction have been measured and recorded in the accompanying financial statements at the exchange amount which is the amount of consideration established and agreed to by the management of the related parties.

(c) Advances from related parties:

	2018	2017
St. Joseph's Villa of Sudbury Inc.	\$ 3,737	1,418
St. Joseph's Continuing Care Centre of Sudbury	74,270	24,446
	\$ 78,007	25,864

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

4. Restricted cash:

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

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Tangible capital assets:

				2018
		Cost	Accumulated Amortization	Net book Value
Equipment	\$	188,982	97,797	91,185
Handi-bus		38,641	25,117	13,524
Computer equipment		50,212	21,188	29,024
Leasehold improvements		235,569	43,316	192,253
Furniture		7,824	1,776	6,048
	\$	521,228	189,194	332,034

				2017
		Cost	Accumulated Amortization	Net book Value
Equipment	\$	170,656	81,931	88,725
Handi-bus		38,641	21,254	17,387
Computer equipment		31,525	14,660	16,865
Leasehold improvements		235,569	24,786	210,783
Furniture		7,824	1,385	6,439
	\$	484,215	144,016	340,199

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of payroll related items owing of \$125,029 (2017 - \$103,075).

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. 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:

	2018	2017
Resident Co-Payment Reduction	\$ 5,810	10,916
Peritoneal Dialysis Funding	9,400	9,400
New Grad Program Funding	–	10,267
	\$ 15,210	30,583

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.

The Peritoneal Dialysis Funding were grants to provide peritoneal dialysis services. Since no dialysis patients were treated, the amounts are repayable to the Ministry.

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 debt on the facilities in which the Villa operates, to the Villa.

8. Deferred tangible capital contributions:

	2018	2017
Balance, beginning of year	\$ 5,302	10,770
Less: amounts recognized as revenue in the year	(2,454)	(5,468)
Balance, end of year	\$ 2,848	5,302

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Contingent liabilities:

The Health Centre has entered in accountable contribution agreements with the Ministry (see note 7). 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 Villa in the period in which they are determined.

The Villa 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, 2018, management has estimated an amount payable to the Ministry (see note 7).

10. Financial risks and concentration of credit risk:

Transactions in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The Villa is exposed to the following risks associated with financial instruments and transactions it is a party to:

(a) Credit risk:

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

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

The Villa incurs receivable transactions in the normal course of operations and is exposed to credit risk associated with its accounts receivable balances of \$93,868 (2017 - \$87,062). The Villa manages this risk exposure through management's on-going monitoring of accounts receivable balances and collections. The Villa 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 1(g) regarding the Villa's policies for assessing impairment of financial assets measured at other than fair value which includes its 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 creditors. The Villa is exposed to this risk associated with its accounts payable and accrued liabilities and payable to the Ontario Ministry of Health and Long-Term Care balances of \$703,581 (2017 - \$612,709).

The Villa reduces its exposure to liquidity risk by ensuring that its documents when authorized payments become due, maintains adequate cash resources and arrangements to repay creditors as required and through managements on-going budgeting and program financial monitoring processes.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Operating expenses listed by type:

	2018	2017
Wages and employee benefits	\$ 5,728,038	5,518,962
Purchased services	1,410,147	1,407,116
Rent	739,440	739,440
Food	425,289	392,714
Supplies	308,563	338,942
Utilities	293,857	311,819
Repairs and maintenance	160,441	178,845
Insurance	56,810	58,293
Licences, fees and dues	45,355	24,711
Amortization of tangible capital assets	45,179	38,985
Office and general	37,064	29,895
Professional fees	36,604	16,526
Equipment costs	28,315	39,159
Telephone	17,377	18,238
Training and development	17,180	22,805
Travel	8,207	11,361
Advertising and promotion	6,903	3,633
Consulting fees	4,758	516
Bank and interest charges	459	376
Union	—	1,250
	<u>\$ 9,369,986</u>	<u>9,153,586</u>

12. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation adopted on the 2018 financial statements.