

Financial Statements of

**ST. JOSEPH'S CONTINUING  
CARE CENTRE OF SUDBURY**

And Independent Auditors' Report thereon

Year ended March 31, 2020



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## INDEPENDENT AUDITORS' REPORT

To the Directors of St. Joseph's Continuing Care Centre of Sudbury

### ***Opinion***

We have audited the financial statements of St. Joseph's Continuing Care Centre of Sudbury (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and the notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements")

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibility under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

### ***Responsibility 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 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.



In preparing the financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk 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, internal 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 purposes of expressing an opinion on the effectiveness of the Entity'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 the events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity's to cease to continue as a going concern.



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- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 30, 2020

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

## Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash	\$ 1,685,049	\$ 1,477,093
Accounts receivable (note 2)	126,034	190,974
Advances to related parties (note 3)	550,661	242,853
Inventory	80,469	76,027
Prepaid expenses	74,568	64,232
	<u>2,516,781</u>	<u>2,051,179</u>
Tangible capital assets (note 4)	16,439,839	17,098,427
	<u>\$ 18,956,620</u>	<u>\$ 19,149,606</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,058,390	\$ 986,254
Post-employment benefits (note 6)	272,762	236,516
Deferred revenue	320,999	53,780
Deferred tangible capital contributions (note 7)	15,834,710	16,421,416
	<u>17,486,861</u>	<u>17,697,966</u>
Net assets:		
Unrestricted	74,224	(15,777)
Invested in tangible capital assets	695,535	767,417
Internally restricted	700,000	700,000
	<u>1,469,759</u>	<u>1,451,640</u>
Effects of COVID-19 (note 11)		
	<u>\$ 18,956,620</u>	<u>\$ 19,149,606</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Chair

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

## Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
<b>Revenue:</b>		
Ministry of Health/Local Health Integration Network	\$ 11,464,652	\$ 11,373,503
Amortization of deferred tangible capital contributions	586,706	605,870
Other	311,814	383,223
	<u>12,363,172</u>	<u>12,362,596</u>
<b>Expenses:</b>		
Salaries and wages	8,023,502	7,761,214
Employee benefits	1,520,644	1,628,131
Supplies and other	1,270,797	1,471,583
Amortization of tangible capital assets	685,930	694,810
Medical and surgical	383,950	374,855
Drugs	378,457	348,906
Medical staff remuneration	81,773	80,145
	<u>12,345,053</u>	<u>12,359,644</u>
<b>Excess of revenue over expenses</b>	<b>\$ 18,119</b>	<b>\$ 2,952</b>

See accompanying notes to financial statements.

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

## Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Unrestricted	Invested in Tangible Capital Assets	Internally Restricted	Total 2020	Total 2019
Balance, beginning of year	\$ (15,777)	767,417	700,000	1,451,640	1,448,688
Excess (deficit) of revenue over expenses	117,343	(99,224)	-	18,119	2,952
Tangible capital assets funded by operations	(27,342)	27,342	-	-	-
Balance, end of year	\$ 74,224	695,535	700,000	1,469,759	1,451,640

See accompanying notes to financial statements.

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

## Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 18,119	\$ 2,952
Items not involving cash:		
Amortization of tangible capital assets	685,930	694,810
Amortization of deferred tangible capital contributions	(586,706)	(605,870)
	117,343	91,892
Change in non-cash working capital balances:		
Decrease (increase) in accounts receivable	64,940	(101,786)
Decrease (increase) in inventory	(4,442)	2,628
Decrease in prepaid expenses	(10,336)	(21,204)
Increase in accounts payable and accrued liabilities	72,136	144,862
Increase in deferred revenue	267,219	17,705
	506,860	134,097
Cash flows from capital activities:		
Purchase of tangible capital assets	(27,342)	(24,856)
Cash flows from financing activities:		
Advances to related parties (net repayments)	(307,808)	(628,138)
Increase in post-employment benefits	36,246	32,707
	(271,562)	(595,431)
Net change in cash	207,956	(486,190)
Cash, beginning of year	1,477,093	1,963,283
Cash, end of year	\$ 1,685,049	\$ 1,477,093

See accompanying notes to financial statements.

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements

Year ended March 31, 2020

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

Throughout the year, the Centre operated 16 complex continuing care and 48 rehabilitation beds.

The Centre operates as a hospital providing programs for complex continuing care patients and related services. The Centre is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act are met.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

### (a) Revenue recognition:

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

The Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health/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 replacement cost. Cost is determined using the weighted average method.

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (c) Tangible capital assets:

Tangible capital assets are recorded at cost. Amortization is provided on the straight-line basis at the following range of annual rates:

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

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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 revenue:

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

### (e) Internally restricted net assets:

Restricted net assets represent amounts internally restricted for unforeseen expenses, as per the Board's capital reserve policy.

### (f) Retirement and post-employment benefits:

The Centre provides retirement and post-employment benefits to certain employee groups. These benefits include pension, health and dental benefits. The Centre 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 provincial cost of borrowing rate recommended by the Ministry of Health for hospital use.

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 1. Significant accounting policies (continued):

### (g) Financial instruments:

All financial instruments are initially recorded on the statement of financial position at fair value.

All investments, if any, held in equity instruments that trade in an active market are recorded at fair value. Management has elected to record investments at fair value as they are managed and evaluated on a fair value basis. Freestanding derivative instruments that are not equity instruments that are quoted in an active market are subsequently measured at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

All financial assets are assessed for impairment on an annual basis. Where a decline in fair value is determined to be other than temporary, the amount of the loss is recognized in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

### (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 revenue and expenses during the periods specified. Significant items subject to such estimates and assumptions include the carrying amount of tangible capital assets; valuation allowances for receivables, and inventories; valuation of financial instruments; and assets and obligations related to employee future benefits. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

## 2. Accounts receivable:

	2020	2019
Canada Revenue Agency (HST)	\$ 64,672	63,711
Patients	11,700	10,529
HSN	48,048	112,250
Other	1,614	4,484
	<u>\$ 126,034</u>	<u>190,974</u>

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

### 3. Specifically funded programs:

- (a) The Centre is related to the St. Joseph's Health Centre of Sudbury ("Health Centre") and St. Joseph's Villa of Sudbury Inc. ("SJV") 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 Centre. The amount of food services provided for the year was \$603,275 (2019 - \$691,775) and laundry services provided for the year was \$81,474 (2019 - \$89,425).

These transactions 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 to related parties:

	2020	2019
St. Joseph's Villa of Sudbury Inc.	\$ 77,223	61,351
St. Gabriel's Villa of Sudbury	209,601	136,210
St. Joseph's Foundation of Sudbury	4,806	14,495
St. Joseph's Health Centre of Sudbury	259,031	30,797
	<b>\$ 550,661</b>	<b>242,853</b>

### 4. Tangible capital assets:

	2020		
	Cost	Accumulated Amortization	Net book Value
Building and site services	\$ 21,700,724	5,677,409	16,023,315
Furniture and equipment	1,512,428	1,207,385	305,043
Signs	64,066	52,453	11,613
Information technology	519,050	419,182	99,868
	<b>\$ 23,796,268</b>	<b>7,356,429</b>	<b>16,439,839</b>

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 4. Tangible capital assets (cont'd):

			2019
	Cost	Accumulated Amortization	Net book Value
Building and site services	\$ 21,700,724	5,134,891	16,565,833
Furniture and equipment	1,491,882	1,106,503	385,379
Signs	64,066	46,046	18,020
Information technology	512,253	383,058	129,195
	\$ 23,768,925	6,670,498	17,098,427

## 5. Accounts payable and accrued liabilities:

	2020	2019
Trade payables	\$ 214,264	249,088
Government remittances	212,999	246,705
Other	631,127	490,461
	\$ 1,058,390	986,254

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 6. Post-employment benefits:

The Centre pays for 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, 2020. The accrued benefit liability and the expense for the period ended March 31, 2020, were determined using a discount rate of 3.29% (2019 – 3.18%). The accrued benefit obligation is as follows:

	2020	2019
Accrued benefit obligation, beginning of year	\$ 236,516	203,809
Expense for the year	39,434	36,402
Benefit paid for the year	(3,188)	(3,695)
Accrued benefit obligation, end of year	\$ 272,762	236,516

The main assumptions employed for the valuations are as follows:

- (a) Interest (discount) rate: The obligation as at March 31, 2020 for the present value of future liabilities and the expense for the period ended March 31, 2020 were determined using an annual discount rate of 3.29%.
- (b) Benefit costs: Future general benefit costs were assumed to increase at the following rates: dental 3.5% per annum and health 6.5% (6.5% in the initial year, decreasing by 0.25% per annum to a rate of 4.5% per annum).

## 7. Deferred tangible capital contributions – Ministry of Health:

Deferred tangible capital contributions represent the unamortized balances of donations and grants restricted for tangible capital asset acquisitions. Details of the continuity of these funds are as follows:

	2020	2019
Unamortized tangible capital contributions	\$ 15,834,710	16,421,418

  

	2020	2019
Balance, beginning of year	\$ 16,421,416	17,027,286
Less: Amounts amortized	(586,706)	(605,870)
Balance, end of year	\$ 15,834,710	16,421,416

## 8. Bank indebtedness:

The Centre 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, 2020, there was no amount drawn on this facility (2019 - \$Nil).

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## 9. Pension plan:

Substantially all of the full-time employees of the Centre are members of the Healthcare 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 Centre has insufficient information available to apply defined benefit plan accounting principles. The Centre 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 \$448,311 (2019 - \$422,241). These amounts are included in employee benefits in the statement of operations. The most recent valuation for financial reporting purposes completed by HOOPP as of December 31, 2019 disclosed net assets available for benefits of \$94.1 billion with a pension obligation of \$73.5 billion resulting in a surplus of \$20.6 billion.

## 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 Centre 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 Centre is exposed to credit risk with respect to cash, accounts receivable and advances to related parties.

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

The Centre incurs receivable transactions in the normal course of operations and is exposed to credit risk associated with its accounts receivable balance of \$126,034 (2019 - \$190,974). The Centre manages this risk exposure through management's on-going monitoring of accounts receivable balances and collections. The Centre 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 Centre'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 the Centre will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Centre is exposed to this risk relating to its accounts payable and accrued liabilities of \$1,058,390 (2019 - \$986,254).

The Centre reduces its exposure to liquidity risk by management's monitoring of cash activities and expected outflow through extensive budgeting and maintaining enough cash and investments to repay creditors as those liabilities become due.

# ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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## **11. Effects of COVID-19:**

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.

## **12. Comparative information:**

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.