St. Joseph's Continuing Care Centre of Sudbury

Financial Statements

Year ended March 31, 2010

FREELANDT CALDWELL REILLY LLP
CHARTERED ACCOUNTANTS

Bernie R. Freelandt, FCA
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Sam P. Lolas, CA
Kirby W. Houle, CA

AUDITORS' REPORT

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

We have audited the statement of financial position of **St. Joseph's Continuing Care Centre of Sudbury** as at **March 31, 2010** and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the organization derives revenue from donations and fundraising, 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 and fundraising revenues, excess of revenues over expenditures, assets and unrestricted net assets.

In our opinion, except for the effect of the potential adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations and fundraising referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

FREELANDT CALDWELL REILLY LLP

Freelandt Caldwell Reilly LLP

Chartered Accountants
Licensed Public Accountants

Sudbury, Ontario
May 5, 2010

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St. Joseph's Continuing Care Centre of Sudbury

Statement of Financial Position
March 31, 2010 with comparative figures for 2009

	2010	2009
Assets		
Current		
Cash	$ 3,360,015	$ 1,143,900
Accounts receivable (note 3)	133,455	-
Inventory	96,734	-
Prepaid expenses	24,793	-
Advances to related party (note 4)	-	10,067,000
	3,614,997	11,210,900
Restricted cash (note 5)	8,169	-
Property and equipment (note 6)	22,397,187	-
	$ 26,020,353	$ 11,210,900
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	$ 746,190	$ -
Funds held in trust	8,169	-
Advances from related parties (note 4)	532,948	-
	1,287,307	-
Deferred capital contributions (note 7)	22,590,626	11,210,900
Deferred operating revenue	2,033,420	-
Employee future benefit obligation (note 8)	109,000	-
	26,020,353	11,210,900
Net assets		
Unrestricted	(46,530)	-
Invested in capital assets	46,530	-
	-	-
	$ 26,020,353	$ 11,210,900

Approved on behalf of the board

Members ______________________________

Members ______________________________

St. Joseph's Continuing Care Centre of Sudbury

Statement of Operations

Year ended March 31, 2010 with comparative figures for 2009

	2010	2009
Revenues		
Ministry of Health and Long-Term Care/Local Health Integration Network	$ 8,264,185	$ -
Other	389,861	-
Amortization of deferred capital contributions	340,036	-
Deferred operating revenue, end of year	(2,033,420)	-
	6,960,662	-
Expenditures		
Salaries and wages	3,773,657	-
Supplies and other	1,280,690	-
Employee benefits	836,226	-
Drugs	363,073	-
Amortization	344,381	-
Medical and surgical	302,635	-
Medical staff remuneration	60,000	-
	6,960,662	-
Excess of revenues over expenditures	$ -	$ -

See accompanying notes to financial statements

St. Joseph's Continuing Care Centre of Sudbury

Statement of Changes in Net Assets

Year ended March 31, 2010 with comparative figures for 2009

	Balance, beginning of year	Capital assets funded by operations	Amortization	Excess of revenues over expenditures	2010 Balance, end of year	2009 Balance, end of year
Unrestricted	$ -	$ (50,875)	$ 4,345	$ -	$ (46,530)	$ -
Invested in capital assets	-	50,875	(4,345)	-	46,530	-
	$ -	$ -	$ -	$ -	$ -	$ -

See accompanying notes to financial statements

St. Joseph's Continuing Care Centre of Sudbury

Cash Flows Statement
Year ended March 31, 2010 with comparative figures for 2009

	2010	2009
Cash flows from operating activities		
Excess of revenues over expenditures	$ -	$ -
Adjustments for		
Amortization	344,381	-
Amortization of deferred capital contributions	(340,036)	-
	4,345	-
Change in non-cash working capital items		
Accounts receivable	(133,455)	-
Inventory	(96,734)	-
Prepaid expenses	(24,793)	-
Accounts payable and accrued liabilities	746,189	-
Funds held in trust	8,169	-
	503,721	-
Cash flows from investing activity		
Purchase of property and equipment	(22,741,568)	-
Cash flows from financing activities		
Advances from (to) related parties	10,599,948	(10,067,000)
Deferred capital contributions	11,719,763	11,210,900
Deferred operating revenue	2,033,420	-
Employee future benefit obligation	109,000	-
	24,462,131	1,143,900
Increase in cash	2,224,284	1,143,900
Cash, beginning of year	1,143,900	-
Cash, end of year	$ 3,368,184	$ 1,143,900

Cash consists of:		
Cash	$ 3,360,015	$ 1,143,900
Restricted cash	8,169	-
	$ 3,368,184	$ 1,143,900

1. Nature of operations

St. Joseph's Continuing Care Centre of Sudbury (the "CCC") was incorporated, without share capital, under the laws of the province of Ontario on January 18, 2008 and commenced operations on June 1, 2009. From June 1, 2009 until August 24, 2009, 32 beds were occupied. On August 24, 2009 an additional 16 beds were added for a total of 48 beds. On November 16, 2009, 16 alternate level of care (ALC) beds were added to assist the Hopital Regional du Sudbury Regional Hospital.

St. Joseph's Continuing Care Centre of Sudbury will operate as a hospital providing programs for complex continuing care patients and related services. The CCC is a registered charity under the Income Tax Act.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

(a) 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. A full 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	5 to 20 years
Information technology	5 to 10 years

(b) Revenue recognition

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

The CCC is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care/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.

2. **Significant accounting policies, continued**

(c) **Inventory**

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

(d) **Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 for amortization of property and equipment and employee future benefit obligation.

(e) **Financial instruments**

At inception all financial instruments which meet the definition of a financial asset or financial liability are to be recorded at fair value, unless fair value cannot be reliably determined. Depending on the nature of the financial instrument, revenues, expenses, gains and losses thereon would be reported in either the statement of operations or in the statement of changes in net assets. Subsequent measurements of each financial instrument will depend on their classification in the statement of financial position selected by the CCC. The CCC has selected the following classifications with respect to its financial instruments:

- Cash is a financial asset classified as "held-for-trading", which is measured at "fair value";

- Accounts receivable are classified as loans and receivables, which are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value; subsequent measurements are recorded at amortized cost using the effective interest rate method;

- Accounts payable and accrued liabilities and advances to related parties are financial liabilities classified as "other financial liabilities" and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

3. **Accounts receivable**

	2010	2009
Patients	$ 77,585	$ -
Canada Revenue Agency (GST)	55,870	-
	$ 133,455	$ -

4. Related party transactions

(a) The CCC is related to the St. Joseph's Health Centre of Sudbury ("Health Centre") and St. Joseph'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) Advances to related party

	2010	2009
St. Joseph's Health Centre of Sudbury	$ -	$ 10,067,000

(c) Advances from related parties

	2010	2009
St. Joseph's Health Centre of Sudbury	$ 327,333	$ -
St. Joseph's Villa of Sudbury Inc.	205,615	-
	$ 532,948	$ -

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

	2010			2009
	Cost	Accumulated amortization	Net	Net
Building and site services	$ 21,503,724	$ 268,796	$ 21,234,928	$ -
Furniture and equipment	929,973	44,797	885,176	-
Information technology	307,870	30,787	277,083	-
	$ 22,741,567	$ 344,380	$ 22,397,187	$ -

7. 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.

	2010	2009
Unamortizted capital contributions	$ 22,350,656	$ -
Unspent health infrastructure renewal fund 09-10	100,900	-
Unspent health infrastructure renewal fund 08-09	139,070	157,500
Unspent operating facility fund	-	986,400
Unspent major hospital projects	-	10,067,000
	$ 22,590,626	$ 11,210,900

8. Employee future benefit obligation

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. The employee future benefit obligation at March 31, 2010 was estimated based on the future obligations of employees transferred from Hopital Regionale de Sudbury Regional Hospital.

9. 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 $181,760. These amounts are included in employee benefits in the statement of operations. The most recent actuarial valuation of HOOPP as at December 31, 2009 indicates that HOOPP is fully funded on a solvency basis.

10. Financial instruments

The CCC's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities and advances to/from related parties. It is management's opinion that the CCC is not exposed to significant interest, currency or credit risks.

The fair value of the CCC's cash, accounts receivable and accounts payable and accrued liabilities are not materially different from the carrying amounts as presented in the statement of financial position due to the short term nature of these financial instruments

The fair value of the CCC's advances to/from related parties cannot be reasonably determined because there is no active market for these financial instruments and expected future cash flows cannot be reasonably predicted.

11. Capital disclosure

The CCC considers its capital to be the balance maintained in its Unrestricted Net Assets. The primary objective of the CCC is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors of the CCC with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The CCC is not subject to any externally imposed requirements of its capital.