St. Joseph's Continuing Care Centre of Sudbury

Financial Statements

Year ended March 31, 2011

FREELANDT CALDWELL REILLY LLP
CHARTERED ACCOUNTANTS

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

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, 2011**, 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 generally accepted accounting principles, 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 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.

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.

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.

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INDEPENDENT AUDITOR'S REPORT, continued

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, 2011 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
June 16, 2011

St. Joseph's Continuing Care Centre of Sudbury

Statement of Financial Position
March 31, 2011 with comparative figures for 2010

	2011	2010 (as restated - note 9)
Assets		
Current		
Cash	$ 2,990,779	$ 3,360,015
Accounts receivable (note 3)	274,998	133,455
Inventory	114,774	96,734
Prepaid expenses	13,203	24,793
	3,393,754	3,614,997
Restricted cash (note 4)	1,384	8,169
Property and equipment (note 5)	22,373,470	22,397,187
	$ 25,768,608	$ 26,020,353
Liabilities and net assets		
Current		
Accounts payable and accrued liabilities	$ 1,220,189	$ 746,190
Funds held in trust (note 4)	1,384	8,169
Advances from related parties (note 6)	1,689,846	532,948
	2,911,419	1,287,307
Deferred contributions (note 7)	21,665,189	22,590,626
Employee future benefit obligation (note 8)	109,000	109,000
	24,685,608	23,986,933
Net assets		
Unrestricted	(1,364,428)	(46,530)
Invested in capital assets	702,884	46,530
Internally restricted for Geriatric Rehabilitation Unit	1,744,544	2,033,420
	1,083,000	2,033,420
	$ 25,768,608	$ 26,020,353

Approved on behalf of the board

Members ______________________________

Members ______________________________

See accompanying notes to financial statements

St. Joseph's Continuing Care Centre of Sudbury
Statement of Operations
Year ended March 31, 2011 with comparative figures for 2010

		2011		2010 (as restated - note 9)
Revenues				
Ministry of Health and Long-Term Care/Local Health Integration Network	$	9,840,593	$	8,264,185
Amortization of deferred capital contributions		680,072		340,036
Other		441,048		389,861
		10,961,713		8,994,082
Expenditures				
Salaries and wages		6,668,465		3,773,657
Supplies and other		2,124,172		1,280,690
Employee benefits		1,166,485		836,226
Amortization		708,297		344,381
Drugs		603,783		363,073
Medical and surgical		563,598		302,635
Medical staff remuneration		77,333		60,000
		11,912,133		6,960,662
Excess (deficiency) of revenues over expenditures	$	(950,420)	$	2,033,420

St. Joseph's Continuing Care Centre of Sudbury

Statement of Changes in Net Assets
Year ended March 31, 2011 with comparative figures for 2010

	Unrestricted	Invested in capital assets	Internally restricted for Geriatric Rehabilitation Unit	Total 2011	Total 2010
Balance, beginning of year					
As previously reported	$ (46,530)	$ 46,530	$ -	$ -	$ -
Prior period adjustment (note 9)	-	-	2,033,420	2,033,420	-
As restated	(46,530)	46,530	2,033,420	2,033,420	-
Excess (deficiency) of revenues over expenditures	(950,420)	-	-	(950,420)	2,033,420
Capital assets funded by operations	(684,580)	684,580	-	-	-
Amortization	28,226	(28,226)	-	-	-
Transfer to operations	288,876	-	(288,876)	-	-
Balance, end of year	$ (1,364,428)	$ 702,884	$ 1,744,544	$ 1,083,000	$ 2,033,420

St. Joseph's Continuing Care Centre of Sudbury

Cash Flows Statement

Year ended March 31, 2011 with comparative figures for 2010

		2011	2010 (as restated - note 9)
Cash flows from operating activities			
Excess (deficiency) of revenues over expenditures	$	(950,420) $	2,033,420
Adjustments for			
Amortization		708,297	344,381
Amortization of deferred capital contributions		(680,072)	(340,036)
		(922,195)	2,037,765
Change in non-cash working capital items			
Accounts receivable		(141,543)	(133,455)
Inventory		(18,040)	(96,734)
Prepaid expenses		11,590	(24,793)
Accounts payable and accrued liabilities		473,999	746,189
Funds held in trust (note 4)		(6,785)	8,169
		(602,974)	2,537,141
Cash flows from investing activity			
Purchase of property and equipment		(684,580)	(22,741,568)
Cash flows from financing activities			
Advances from related parties		1,156,898	10,599,948
Deferred contributions		(245,365)	11,719,763
Employee future benefit obligation		-	109,000
		911,533	22,428,711
Increase (decrease) in cash		(376,021)	2,224,284
Cash, beginning of year		3,368,184	1,143,900
Cash, end of year	$	2,992,163 $	3,368,184

Cash consists of:			
Cash	$	2,990,779 $	3,360,015
Restricted cash		1,384	8,169
	$	2,992,163 $	3,368,184

See accompanying notes to financial statements

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. In addition, during the year, the following occurred: the 16 alternate level of care (ALC) patients that the SJCCC accepted on November 16, 2009 to assist the Hôpital Régional de Sudbury Regional Hospital were decanted out of the SJCCC over the period of September 1, 2010 to January 11, 2011.

As a result of the ALC patients being transferred out of SJCCC, those beds were converted to a 16 bed Geriatric Rehabilitation Unit (GRU). As at March 31, 2011, SJCCC continues to operate a 16 bed Medically Complex Unit (MCU), 16 bed Geriatric Rehabilitation Unit and a 32 bed Assess Restore Unit (ARU), of which 19 patients at March 31, 2011 had been identified as alternate level of care (ALC).

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 Healthcare Corporation of Ontario.

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

2. **Significant accounting policies, continued**

(b) **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.

(c) **Internally restricted fund**

The internally restricted fund for the Geriatric Rehabilitation Unit is for future expenditures for opening and operating the Geriatric Rehabilitation Unit.

(d) **Inventory**

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

(e) **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.

2. Significant accounting policies, continued

(f) 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 SJCCC. The SJCCC 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 from 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

	2011	2010
Patients	$ 18,128	$ 77,585
Canada Revenue Agency (HST/GST)	254,530	55,870
Other	2,340	-
	$ 274,998	$ 133,455

4. Restricted cash

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

5. Property and equipment

			2011	2010
	Cost	Accumulated amortization	Net	Net
Building and site services	$ 21,910,802	$ 811,478	$ 21,099,324	$ 21,234,928
Furniture and equipment	1,196,053	147,696	1,048,357	885,176
Information technology	319,292	93,503	225,789	277,083
	$ 23,426,147	$ 1,052,677	$ 22,373,470	$ 22,397,187

6. Related party transactions

(a) The SJCCC 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 from related parties are unsecured, non-interest bearing with no specific terms of repayment.

(b) Advances from related parties

	2011	2010
St. Joseph's Health Centre of Sudbury	$ 1,393,554	$ 327,333
St. Joseph's Villa of Sudbury Inc.	296,292	205,615
	$ 1,689,846	$ 532,948

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.

	2011	2010
Unamortized capital contributions	$ 21,670,585	$ 22,350,656
Unspent health infrastructure renewal fund 09-10	-	100,900
Unspent health infrastructure renewal fund 08-09	-	139,070
Deferred expenditures health infrastructure renewal fund 10-11	(5,396)	-
	$ 21,665,189	$ 22,590,626

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, 2011 was estimated based on the future obligations of employees transferred from Hôpital Régional de Sudbury Regional Hospital.

9. Prior period adjustment

The comparative figures have been retroactively restated to reflect transfer to an internally restricted fund for the Geriatric Rehabilitation Unit applicable to the year ended March 31, 2010 which was not previously recorded.

As a result, internally restricted for Geriatric Rehabilitation Unit as at March 31, 2010 has been increased by $2,033,420.

Net earnings for the year ended March 31, 2010 have increased and deferred operating revenue has decreased by $2,033,420.

10. 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 $274,190 (2010 - $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, 2010 indicates that HOOPP is fully funded on a solvency basis.

11. Capital disclosure

The SJCCC considers its capital to be the balance maintained in its Unrestricted Net Assets. The primary objective of the SJCCC 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 SJCCC 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 SJCCC is not subject to any externally imposed requirements of its capital.

12. **Financial instruments**

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

The fair value of the SJCCC'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 SJCCC's advances 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.