St. Joseph's Continuing Care Centre of Sudbury

Financial Statements

Year ended March 31, 2014

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, 2014

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, 2014**, 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, 2014 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, 2014

St. Joseph's Continuing Care Centre of Sudbury

Statement of Financial Position
March 31, 2014 with comparative figures for 2013

	2014	2013
Assets		
Current		
Cash	$ 1,404,128	$ 1,589,050
Accounts receivable (note 3)	175,761	205,775
Inventory	60,883	86,405
Prepaid expenses	15,602	20,286
Advances to related party (note 4)	147,668	127,326
	1,804,042	2,028,842
Property and equipment (note 6)	20,146,923	21,188,868
Restricted cash (note 5)	248	1,992
	$ 21,951,213	$ 23,219,702
Liabilities and net assets (deficiency in net assets)		
Current		
Accounts payable and accrued liabilities	$ 789,009	$ 1,033,227
Advances from related parties (note 4)	2,118,078	2,235,855
	2,907,087	3,269,082
Funds held in trust (note 5)	248	1,992
Deferred contributions (note 7)	19,543,640	20,478,727
Post-employment benefits (note 8)	89,500	66,500
	22,540,475	23,816,301
Net assets (deficiency in net assets)		
Unrestricted	(1,247,489)	(1,307,538)
Invested in capital assets	658,227	710,939
	(589,262)	(596,599)
	$ 21,951,213	$ 23,219,702

Approved on behalf of the board

Members ______________________________

Members ______________________________

St. Joseph's Continuing Care Centre of Sudbury
Statement of Operations
Year ended March 31, 2014 with comparative figures for 2013

	2014	2013
Revenues		
Ministry of Health and Long-Term Care/Local Health Integration Network	$ 10,027,683	$ 9,989,357
Amortization of deferred capital contributions	652,242	687,514
Other	223,805	229,597
	10,903,730	10,906,468
Expenditures		
Salaries and wages	6,958,372	6,739,173
Employee benefits	1,240,468	1,410,831
Supplies and other	1,195,923	1,585,327
Amortization	730,320	759,059
Drugs	436,666	488,790
Medical and surgical	253,948	318,724
Medical staff remuneration	80,696	101,540
	10,896,393	11,403,444
Excess (deficiency) of revenues over expenditures	$ 7,337	$ (496,976)

See accompanying notes to financial statements

St. Joseph's Continuing Care Centre of Sudbury

Statement of Changes in Net Assets (Deficiency in Net Assets)
Year ended March 31, 2014 with comparative figures for 2013

2014

		Total	Unrestricted	Invested in capital assets
Balance, beginning of year	$	(596,599) $	(1,307,538) $	710,939
Excess (deficiency) 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

2013

		Total	Unrestricted	Invested in capital assets
Balance, beginning of year	$	(99,623) $	(846,589) $	746,966
Deficiency of revenues over expenditures		(496,976)	(496,976)	-
Capital assets funded by operations		-	(35,518)	35,518
Amortization		-	71,545	(71,545)
Balance, end of year	$	(596,599) $	(1,307,538) $	710,939

St. Joseph's Continuing Care Centre of Sudbury
Cash Flows Statement
Year ended March 31, 2014 with comparative figures for 2013

		2014		2013
Cash flows from operating activities				
Excess (deficiency) of revenues over expenditures	$	7,337	$	(496,976)
Adjustments for non-cash items				
Amortization		730,320		759,059
Amortization of deferred capital contributions		(652,243)		(687,514)
		85,414		(425,431)
Change in non-cash working capital items				
Accounts receivable		30,014		218,827
Inventory		25,522		25,024
Prepaid expenses		4,684		2,126
Accounts payable and accrued liabilities		(244,218)		(198,020)
		(98,584)		(377,474)
Cash flows from capital activity				
Purchase of property and equipment		(25,365)		(127,647)
Cash flows from financing activities				
Advances from (to) related parties		(138,119)		691,385
Deferred contributions		54,146		(1,347)
Post-employment benefits		23,000		20,446
		(60,973)		710,484
Increase (decrease) in cash		(184,922)		205,363
Cash, beginning of year		1,589,050		1,383,687
Cash, end of year	$	1,404,128	$	1,589,050

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 Healthcare Corporation 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) **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.

(e) **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.

2. **Significant accounting policies, continued**

(f) **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.

The SJCCC subsequently measures its financial assets and liabilities at amortized cost using the effect interest rate method, 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

	2014	2013
Ministry of Health and Long-Term Care	$ 106,500	$ 93,300
Canada Revenue Agency (HST/GST)	55,364	85,710
Patients	10,463	16,686
Other	3,434	10,079
	$ 175,761	$ 205,775

4. 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 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) Advances to related party

	2014	2013
St. Gabriel's Villa of Sudbury	$ 147,668	$ 127,326

(c) Advances from related parties

	2014	2013
St. Joseph's Health Centre of Sudbury	$ 1,100,222	$ 1,784,223
St. Joseph's Villa of Sudbury Inc.	1,017,856	451,632
	$ 2,118,078	$ 2,235,855

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

			2014	2013
	Cost	Accumulated amortization	Net	Net
Building and site services	$ 21,691,350	$ 2,422,418	$ 19,268,932	$ 20,118,716
Furniture and equipment	1,335,939	553,266	782,673	904,318
Information technology	337,358	292,092	45,266	109,375
Signs	64,066	14,014	50,052	56,459
	$ 23,428,713	$ 3,281,790	$ 20,146,923	$ 21,188,868

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.

	2014	2013
Unamortized capital contributions	$ 19,488,695	$ 20,477,928
Unspent hospital improvement plan development 13-14	50,000	-
Unspent small hospital palliative care education plan 13-14	4,945	-
Unspent quality worklife environment 12-13	-	799
	$ 19,543,640	$ 20,478,727

8. 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, 2014. The accrued benefit liability and the expense for the period ended March 31, 2014, were determined using a discount rate of 4.36% (2013 - 3.94%). The accrued benefit obligation is as follows:

	2014	2013
Accrued benefit obligation, beginning of year	$ 66,500	$ 46,054
Benefits paid for the period	23,000	20,446
	$ 89,500	$ 66,500

8. **Post-employment benefits, continued**

The main assumptions employed for the valuations are as follows:

(a) Interest (discount) rate: The obligation as at March 31, 2014 for the present value of future liabilities and the expense for the period ended March 31, 2014 were determined using an annual discount rate of 4.36%.

(b) Benefit costs: Future general benefit costs were assumed to increase at the following rates: dental 4% per annum and health 9.0% in the initial year, decreasing by 0.5% per annum to a rate of 5%.

9. **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:

(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 holds its cash accounts with large reputable financial institutions, from which management believes the risk of loss due to credit risk to be remote.

The SJCCC is exposed to credit risk in accounts receivable which includes receivable from Ministry of Health and Long-Term Care, patient, government and other receivables of $175,761 (2013 - $205,775). 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 $789,008 (2013 - $1,033,227).

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.

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 $343,115 (2013 - $358,820). 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.