Financial Statements of

ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

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, 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 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.

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. Joseph's Continuing Care Centre 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 public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
June 11, 2018

ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 1,963,283	$ 1,832,687
Accounts receivable (note 2)	89,188	103,201
Advances to related parties (note 3)	119,669	61,597
Inventory	78,655	76,429
Prepaid expenses	43,028	27,335
	2,293,823	2,101,249
Tangible capital assets (note 5)	17,768,380	18,321,776
	$ 20,062,203	$ 20,423,025
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 841,391	$ 809,601
Advances from related parties (note 3)	504,954	511,589
	1,346,345	1,321,190
Post-employment benefits (note 7)	203,809	172,776
Deferred revenue	36,075	36,075
Deferred tangible capital contributions (note 8)	17,027,286	17,633,156
	18,613,515	19,163,197
Net assets:		
Unrestricted	7,596	21,209
Invested in tangible capital assets	741,092	688,619
Internally restricted	700,000	550,000
	1,448,688	1,259,828
	$ 20,062,203	$ 20,423,025

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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Ministry of Health and Long-Term Care/Local Health Integration Network	$ 10,948,132	$ 10,737,332
Amortization of deferred tangible capital contributions	605,870	605,870
Other	257,482	321,647
	11,811,484	11,664,849
Expenses:		
Salaries and wages	7,459,249	7,202,104
Employee benefits	1,494,158	1,472,491
Supplies and other	1,109,681	1,143,043
Amortization of tangible capital assets	676,307	661,547
Medical and surgical	400,909	395,802
Drugs	402,175	350,258
Medical staff remuneration	80,145	80,145
	11,622,624	11,305,390
Excess of revenue over expenses	$ 188,860	$ 359,459

See accompanying notes to financial statements.

ST. JOSEPH'S CONTINUING CARE CENTRE 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	$	21,209	688,619	550,000	1,259,828	900,369
Excess (deficiency) of revenue over expenses		259,297	(70,437)	-	188,860	359,459
Tangible capital assets funded by operations		(122,910)	122,910	-	-	-
Interfund transfer		(150,000)	-	150,000	-	-
Balance, end of year	$	7,596	741,092	700,000	1,448,688	1,259,828

See accompanying notes to financial statements.

ST. JOSEPH'S CONTINUING CARE CENTRE 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:		
Excess of revenue over expenses	$ 188,860	$ 359,459
Items not involving cash:		
Amortization of tangible capital assets	676,307	661,547
Amortization of deferred tangible capital contributions	(605,870)	(605,870)
	259,297	415,136
Change in non-cash working capital balances:		
Decrease in accounts receivable	14,013	135,150
Decrease (increase) in inventory	(2,226)	3,344
Decrease (increase) in prepaid expenses	(15,693)	15,267
Increase (decrease) in accounts payable and accrued liabilities	31,789	(64,536)
	287,180	504,361
Cash flows from capital activities:		
Purchase of tangible capital assets	(122,910)	(104,433)
Cash flows from financing activities:		
Advances to related parties (net repayments)	(64,707)	(7,138)
Increase in post-employment benefits	31,033	29,784
	(33,674)	22,646
Net change in cash	130,596	422,574
Cash, beginning of year	1,832,687	1,410,113
Cash, end of year	$ 1,963,283	$ 1,832,687

See accompanying notes to financial statements.

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 64 complex continuing care 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 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 replacement cost. Cost is determined using the weighted average method.

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:

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

(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 Centre's internal rate of borrowing.

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:

		2018	2017
Canada Revenue Agency (HST)	$	60,554	67,782
Patients		18,252	8,805
Other		10,382	26,614
	$	89,188	103,201

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 $657,467 (2017 - $634,370) and laundry services provided for the year was $91,250 (2017 – $91,980).

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:

		2018	2017
St. Joseph's Villa of Sudbury Inc.	$	45,399	37,151
St. Gabriel's Villa of Sudbury		74,270	24,446
	$	119,669	61,597

(d) Advances from related parties:

		2018	2017
St. Joseph's Health Centre of Sudbury	$	504,954	511,589

5. Tangible capital assets:

			2018
	Cost	Accumulated Amortization	Net book Value
Building and site services	$ 21,700,724	4,592,373	17,108,351
Furniture and equipment	1,463,985	988,258	475,727
Construction-in-progress	90,408	–	90,408
Signs	64,066	39,640	24,426
Information technology	424,885	355,417	69,468
	$ 23,744,068	5,975,688	17,768,380

			2017
	Cost	Accumulated Amortization	Net book Value
Building and site services	$ 21,700,724	4,049,855	17,650,869
Furniture and equipment	1,388,125	875,681	512,444
Construction-in-progress	88,371	–	88,371
Signs	64,066	33,233	30,833
Information technology	379,872	340,613	39,259
	$ 23,621,158	5,299,382	18,321,776

6. 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, 2018, there was no amount drawn on this facility.

7. 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, 2018. The accrued benefit liability and the expense for the period ended March 31, 2018, were determined using a discount rate of 3.37% (2017 – 3.56%). The accrued benefit obligation is as follows:

	2018	2017
Accrued benefit obligation, beginning of year	$ 172,776	142,992
Benefits paid for the period	31,033	29,784
Accrued benefit obligation, end of year	$ 203,809	172,776

The main assumptions employed for the valuations are as follows:

(a) Interest (discount) rate: The obligation as at March 31, 2018 for the present value of future liabilities and the expense for the period ended March 31, 2018 were determined using an annual discount rate of 3.37%.

(b) Benefit costs: Future general benefit costs were assumed to increase at the following rates: dental 3% per annum and health 6.5% in the initial year, decreasing by 0.5% per annum to a rate of 4.5% per annum.

8. Deferred tangible capital contributions – Ministry of Health and Long-Term Care:

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:

	2018	2017
Unamortized tangible capital contributions	$ 17,027,287	17,633,156

	2018	2017
Balance, beginning of year	$ 17,633,156	18,239,026
Less: Amounts amortized	(605,870)	(605,870)
Balance, end of year	$ 17,027,286	17,633,156

9. Pension plan:

Substantially all of the full-time employees of the Centre 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 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 $391,138 (2017 - $394,701). 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, 2017 disclosed net assets available for benefits of $77.8 billion with a pension obligation of $59.6 billion resulting in a surplus of $18.2 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 $89,188 (2017 - $103,201). 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 $841,391 (2017 - $809,601).

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.

11. Comparative information:

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