Financial Statements of

ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Year ended March 31, 2019

KPMG LLP
Claridge Executive Centre
144 Pine Street
Sudbury Ontario P3C 1X3
Canada
Telephone (705) 675-8500
Fax (705) 675-7586

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, 2019
- 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, 2019, 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.

- 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

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada
June 20, 2019

ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 1,477,093	$ 1,963,283
Accounts receivable (note 2)	190,974	89,188
Advances to related parties (note 3)	242,853	119,669
Inventory	76,027	78,655
Prepaid expenses	64,232	43,028
	2,051,179	2,293,823
Tangible capital assets (note 4)	17,098,427	17,768,380
	$ 19,149,606	$ 20,062,203
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 986,254	$ 841,391
Advances from related parties (note 3)	-	504,954
	986,254	1,346,345
Post-employment benefits (note 6)	236,516	203,809
Deferred revenue	53,780	36,075
Deferred tangible capital contributions (note 7)	16,421,416	17,027,286
	17,697,966	18,613,515
Net assets:		
Unrestricted	(15,777)	7,596
Invested in tangible capital assets	767,417	741,092
Internally restricted	700,000	700,000
	1,451,640	1,448,688
	$ 19,149,606	$ 20,062,203

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, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Ministry of Health and Long-Term Care/Local Health Integration Network	$ 11,373,503	$ 10,948,132
Amortization of deferred tangible capital contributions	605,870	605,870
Other	383,223	257,482
	12,362,596	11,811,484
Expenses:		
Salaries and wages	7,761,214	7,459,249
Employee benefits	1,628,131	1,494,158
Supplies and other	1,471,583	1,109,681
Amortization of tangible capital assets	694,810	676,307
Medical and surgical	374,855	400,909
Drugs	348,906	402,175
Medical staff remuneration	80,145	80,145
	12,359,644	11,622,624
Excess of revenue over expenses	$ 2,952	$ 188,860

See accompanying notes to financial statements.

ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

		Unrestricted	Invested in Tangible Capital Assets	Internally Restricted	Total 2019	Total 2018
Balance, beginning of year	$	7,596	741,092	700,000	1,448,688	1,259,828
Excess (deficit) of revenue over expenses		91,892	(88,940)	-	2,952	188,860
Tangible capital assets funded by operations		(115,265)	115,265	-	-	-
Balance, end of year	$	(15,777)	767,417	700,000	1,451,640	1,448,688

See accompanying notes to financial statements.

ST. JOSEPH'S CONTINUING CARE CENTRE OF SUDBURY

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 2,952	$ 188,860
Items not involving cash:		
Amortization of tangible capital assets	694,810	676,307
Amortization of deferred tangible capital contributions	(605,870)	(605,870)
Construction in progress expensed in year	90,408	-
	182,300	259,297
Change in non-cash working capital balances:		
Decrease (increase) in accounts receivable	(101,784)	14,013
Decrease (increase) in inventory	2,628	(2,226)
Decrease in prepaid expenses	(21,204)	(15,693)
Increase in accounts payable and accrued liabilities	144,861	31,789
Increase in deferred revenue	17,705	-
	224,506	287,180
Cash flows from capital activities:		
Purchase of tangible capital assets	(115,265)	(122,910)
Cash flows from financing activities:		
Advances to related parties (net repayments)	(628,138)	(64,707)
Increase in post-employment benefits	32,707	31,033
	(595,431)	(33,674)
Net change in cash	(486,190)	130,596
Cash, beginning of year	1,963,283	1,832,687
Cash, end of year	$ 1,477,093	$ 1,963,283

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, 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 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:

	2019	2018
Canada Revenue Agency (HST)	$ 63,711	60,554
Patients	10,529	18,252
HSN	112,250	–
Other	4,484	10,382
	$ 190,974	89,188

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 $691,775 (2018 - $657,467) and laundry services provided for the year was $89,425 (2018 – $91,250).

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:

		2019	2018
St. Joseph's Villa of Sudbury Inc.	$	61,351	45,399
St. Gabriel's Villa of Sudbury		136,210	74,270
St. Joseph's Foundation of Sudbury		14,495	–
St. Joseph's Health Centre of Sudbury		30,797	–
	$	242,853	119,669

(d) Advances from related parties:

		2019	2018
St. Joseph's Health Centre of Sudbury	$	–	504,954

4. Tangible capital assets:

			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

			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
Signs	64,066	39,640	24,426
Information technology	424,885	355,417	69,468
Construction-in-progress	90,408	–	90,408
	$ 23,744,068	5,975,688	17,768,380

5. Accounts payable and accrued liabilities:

	2019	2018
Trade payables	$ 249,088	153,509
Government remittances	246,705	214,348
Other	490,461	473,534
	$ 986,254	841,391

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, 2019. The accrued benefit liability and the expense for the period ended March 31, 2018, were determined using a discount rate of 3.18% (2018 – 3.37%). The accrued benefit obligation is as follows:

	2019	2018
Accrued benefit obligation, beginning of year	$ 203,809	172,776
Expense for the year	36,402	33,578
Benefit paid for the year	(3,695)	(2,545)
Accrued benefit obligation, end of year	$ 236,516	203,809

The main assumptions employed for the valuations are as follows:

(a) Interest (discount) rate: The obligation as at March 31, 2019 for the present value of future liabilities and the expense for the period ended March 31, 2019 were determined using an annual discount rate of 3.18%.

(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 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:

	2019	2018
Unamortized tangible capital contributions	$ 16,421,418	17,027,288

	2019	2018
Balance, beginning of year	$ 17,027,286	17,633,156
Less: Amounts amortized	(605,870)	(605,870)
Balance, end of year	$ 16,421,416	17,027,286

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, 2019, there was no amount drawn on this facility.

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 $422,241 (2018 - $391,138). 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, 2018 disclosed net assets available for benefits of $79.0 billion with a pension obligation of $65.1 billion resulting in a surplus of $13.9 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 $190,974 (2018 - $89,188). 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 $986,254 (2018 - $841,391).

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 2019 financial statements.