

Financial Statements of

**ST. GABRIEL'S VILLA
OF SADBURY**

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Members of St. Gabriel's Villa of Sudbury

We have audited the accompanying financial statements of St. Gabriel's Villa of Sudbury, which comprise the statement of financial position as at March 31, 2017, 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 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.

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. Gabriel's Villa of Sudbury, as at March 31, 2017, 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.

Comparative information

The financial statements of St. Gabriel's Villa of Sudbury for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements dated June 22, 2016.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2017
Sudbury, Canada

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 243,875	\$ 163,292
Accounts receivable (note 2)	87,062	282,001
Advances to related parties (note 3)	742,923	1,061,758
Inventory	43,521	57,094
Prepaid expenses	28,601	25,553
	<u>1,145,982</u>	<u>1,589,698</u>
Restricted cash (note 4)	13,307	14,708
Tangible capital assets (note 5)	340,199	212,258
	<u>\$ 1,499,488</u>	<u>\$ 1,816,664</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 582,126	\$ 709,796
Payable to the Ontario Ministry of Health and Long-Term Care (note 7)	30,583	164,280
Advances from related parties (note 3)	25,864	12,204
Deferred revenue	-	8,864
	<u>638,573</u>	<u>895,144</u>
Funds held in trust (note 4)	13,996	14,708
Deferred tangible capital contributions (note 8)	5,302	10,770
	<u>657,871</u>	<u>920,622</u>
Net assets:		
Unrestricted	81,079	168,387
Invested in tangible capital assets	334,899	201,488
Internally restricted	425,639	526,167
	<u>841,617</u>	<u>896,042</u>
Contingent liabilities (note 9)		
	<u>\$ 1,499,488</u>	<u>\$ 1,816,664</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Board Member

_____ Board Member

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Ontario Ministry of Health and Long-Term Care (note 7)	\$ 5,921,197	\$ 5,966,418
Resident fees	3,138,452	3,050,717
Other	34,044	30,800
Amortization of deferred tangible capital contributions	5,468	7,470
	<u>9,099,161</u>	<u>9,055,405</u>
Expenses (note 11):		
Nursing - direct and administration	4,640,452	4,487,750
Food services	1,037,130	1,029,706
Rent (note 3)	739,440	868,270
Administration	679,552	679,762
Programs	490,312	500,998
Plant maintenance	442,437	421,938
Plant operations and communications	393,444	341,692
Housekeeping	322,341	304,586
Laundry and linen	196,408	187,936
Information systems	98,873	95,831
Health records	74,212	67,894
Amortization of tangible capital assets	38,985	29,467
	<u>9,153,586</u>	<u>9,015,830</u>
Excess (deficiency) of revenue over expenses	\$ (54,425)	\$ 39,575

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

		Unrestricted	Invested in Tangible Capital Assets	Internally Restricted	Total 2017	Total 2016
Balance, beginning of year	\$	168,387	201,488	526,167	896,042	856,467
Excess (deficiency) of revenue over expenses		(20,910)	(33,515)	-	(54,425)	39,575
Interfund transfers		(66,398)	166,926	(100,528)	-	-
Balance, end of year	\$	81,079	334,899	425,639	841,617	896,042

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (54,425)	\$ 39,575
Items not involving cash:		
Amortization of deferred tangible capital contributions	(5,468)	(7,470)
Amortization of tangible capital assets	38,985	29,467
	(20,908)	61,572
Change in non-cash working capital balances:		
Decrease (increase) in accounts receivable	194,939	(187,751)
Decrease (increase) in inventory	13,573	(6,134)
Increase in prepaid expenses	(3,048)	(8,910)
Decrease in accounts payable and accrued liabilities	(127,670)	(148,264)
Decrease in payable to the Ontario Ministry of Health and Long-Term Care	(133,697)	(7,787)
Decrease in deferred revenue	(8,864)	(42,839)
Net change in funds held in trust for residents	689	-
	(84,986)	(340,113)
Cash flows from investing activities:		
Advances with related parties (net of repayments)	332,495	179,617
Purchase of tangible capital assets	(166,926)	(3,832)
	165,569	175,785
Net increase (decrease) in cash	80,583	(164,328)
Cash, beginning of year	163,292	327,620
Cash, end of year	\$ 243,875	\$ 163,292

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements

Year ended March 31, 2017

St. Gabriel's Villa of Sudbury (the "Villa") was incorporated, without share capital, under the laws of Ontario on January 22, 2010 and commenced operations in March 2011. It operates a long-term care facility in the City of Greater Sudbury, Ontario. The Villa is a not-for-profit organization and is exempt from tax under the Income Tax Act (Canada) and is sponsored by the Catholic Health Sponsors of Ontario.

The St. Joseph's Health Centre of Sudbury (the "Health Centre") owns the operating licence and facilities in which the Villa operates. The Villa is responsible for the management of the facilities on behalf of the Health Centre.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

(a) Revenue recognition:

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

The Villa 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 net realizable value. Cost is determined using the weighted average method.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(c) Tangible capital assets:

Tangible capital assets are recorded at cost. The Villa provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Equipment	5 to 15 years
Handi-bus	10 years
Computer equipment	5 years
Leasehold improvements	10 years
Furniture	20 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 tangible capital contributions:

Government assistance for tangible capital assets are recorded as an addition to deferred tangible capital contributions.

Deferred tangible capital contributions are amortized on the same basis as the tangible capital assets to which they relate.

(e) Internally restricted net assets:

Restricted net assets represent amounts internally restricted for unforeseen expenses.

(f) Contributed services:

A substantial number of volunteers contribute a significant amount of their time to the Villa during the year. Because of the difficulty of determining the fair value, contributed services are not recognized in these financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(g) Financial instruments:

(i) Measurement of financial instruments:

Financial assets measured at amortized cost include cash, accounts receivable and restricted cash.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, payable to the Ontario Ministry of Health and Long-term Care and held in trust for residents.

(ii) Impairment:

Financial assets measured at other than fair value 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 excess of deficiency of revenue over expenses. 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 in excess of deficiency of revenue over expenses up to the amount of the previously recognized impairment.

(h) Use of estimates:

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. Actual results could differ from these estimates. Amounts affected by significant estimates are amounts payable to the Ontario Ministry of Health and Long-Term Care and accounts payable and accrued liabilities.

2. Accounts receivable:

	2017	2016
Canada Revenue Agency (HST)	\$ 43,750	44,908
Residents	31,808	46,560
Other	9,659	93,658
Ontario Ministry of Health and Long-Term Care	1,845	96,875
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	\$ 87,062	282,001

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2017

3. Related party transactions:

(a) The Villa is related to St. Joseph's Health Centre of Sudbury ("Health Centre") and St. Joseph's Villa of Sudbury Inc. ("SJV") and St. Joseph's Continuing Care Centre by virtue of common board members.

(b) Advances to related parties:

	2017	2016
St. Joseph's Health Centre of Sudbury	\$ 742,923	1,061,758

An agreement exists between the Health Centre and the Villa that states that the Villa will pay rent in the amount equal to the mortgage payments (principal and interest) and property taxes paid by the Health Centre for the facilities in which the Villa operates. The rent for the year was \$739,440 (2016 - \$868,270).

These transaction 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 from related parties:

	2017	2016
St. Joseph's Villa of Sudbury Inc.	\$ 1,418	812
St. Joseph's Continuing Care Centre of Sudbury	24,446	11,392
	\$ 25,864	12,204

The advances to/from related parties are unsecured, non-interest bearing with no specified terms of repayment.

4. Restricted cash:

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

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Tangible capital assets:

	2017		
	Cost	Accumulated Amortization	Net book Value
Equipment	\$ 170,656	81,931	88,725
Handi-bus	38,641	21,254	17,387
Computer equipment	31,525	14,660	16,865
Leasehold improvements	235,569	24,786	210,783
Furniture	7,824	1,385	6,439
	\$ 484,215	144,016	340,199

	2016		
	Cost	Accumulated Amortization	Net book Value
Equipment	\$ 123,350	66,690	56,660
Handi-bus	38,641	17,389	21,252
Computer equipment	12,433	11,190	1,243
Leasehold improvements	135,041	8,768	126,273
Furniture	7,824	994	6,830
	\$ 317,289	105,031	212,258

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of HST and payroll related items owing of \$103,075 (2016 - \$110,062).

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Payable to the Ontario Ministry of Health and Long-Term Care:

The amounts payable to the Ontario Ministry of Health and Long-Term Care (The "Ministry") are as follows:

	2017	2016
Resident Co-Payment Reduction	\$ 10,916	154,880
Peritoneal Dialysis Funding	9,400	9,400
New Grad Program Funding	10,267	–
	\$ 30,583	164,280

The Resident Co-Payment Reduction represents the amount payable (receivable) to (from) the Ministry for the excess (deficiency) of resident fees over the amount estimated by the Ministry based on the Northern Regional Average per diem.

The Peritoneal Dialysis Funding were grants to provide peritoneal dialysis services. Since no dialysis patients were treated, the amounts are repayable to the Ministry.

Funding from the Ministry is paid to the Health Centre under their licensing agreement. The Health Centre transfers these funds, less the amount required to pay for the debt on the facilities in which the Villa operates, to the Villa.

8. Deferred tangible capital contributions:

	2017	2016
Balance, beginning of year	\$ 10,770	18,240
Less: amounts recognized as revenue in the year	(5,468)	(7,470)
Balance, end of year	\$ 5,302	10,770

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Contingent liabilities:

The Health Centre has entered in accountable contribution agreements with the Ministry (see note 7). The programs are subject to audit by the Ministry and should these audits result in recoveries of contributions, the amount of these recoveries would be charged to the Villa in the period in which they are determined.

The Villa will be required to submit a Long-Term Care Facility Annual Report to the Ontario Ministry of Health and Long-Term Care. Annual reconciliations are completed on a calendar basis. Accordingly, at March 31, 2017, management has estimated an amount payable to the Ministry (see note 7).

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 Villa 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 Villa is exposed to credit risk with respect to cash and accounts receivable.

The Villa minimizes risk associated with its cash balances by ensuring these financial assets are placed with large reputable financial institutions with high credit ratings.

The Villa incurs receivable transactions in the normal course of operations and is exposed to credit risk associated with its accounts receivable balances of \$87,062 (2016 - \$282,001). The Villa manages this risk exposure through management's on-going monitoring of accounts receivable balances and collections. The Villa 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 Villa'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 an organization cannot repay its obligations when they become due to its creditors. The Villa is exposed to this risk associated with its accounts payable and accrued liabilities and payable to the Ontario Ministry of Health and Long-Term Care balances of \$612,709 (2016 - \$874,076).

The Villa reduces its exposure to liquidity risk by ensuring that its documents when authorized payments become due, maintains adequate cash resources and arrangements to repay creditors as required and through managements on-going budgeting and program financial monitoring processes.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2017

11. Operating expenses listed by type:

	2017	2016
Wages and employee benefits	5,518,962	5,314,163
Purchased services	1,407,116	1,364,916
Rent	739,440	868,270
Food	392,714	396,050
Supplies	338,942	320,024
Utilities	311,819	213,051
Repairs and maintenance	178,845	160,564
Insurance	58,293	59,043
Equipment costs	39,159	84,193
Amortization of tangible capital assets	38,985	29,467
Office and general	29,895	26,339
Licences, fees and dues	24,711	25,290
Training and development	22,805	16,537
Telephone	18,238	17,194
Professional fees	16,526	55,094
Travel	11,361	7,337
Advertising and promotion	3,633	2,725
Union	1,250	1,250
Consulting fees	516	53,913
Bank and interest charges	376	410
	\$ 9,153,586	9,015,830

12. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation adopted on the 2017 financial statements.