

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2020



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 Members of St. Gabriel's Villa of Sudbury

Opinion

We have audited the financial statements of St. Gabriel's Villa of Sudbury (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in net assets for the year 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, 2020, 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 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.

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.



Page 3

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Sudbury, Canada

June 30, 2020

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 34,933	\$ 112,369
Accounts receivable (note 2)	87,460	86,878
Advances to related parties (note 3)	1,324,116	1,341,600
Inventory	37,830	43,438
Prepaid expenses	41,801	43,980
	<u>1,526,140</u>	<u>1,628,265</u>
Restricted cash (note 4)	17,269	11,662
Tangible capital assets (note 5)	291,773	309,529
	<u>\$ 1,835,182</u>	<u>\$ 1,949,456</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 786,002	\$ 944,377
Payable to the Ontario Ministry of Long-Term Care (note 8)	3,775	16,533
Advances from related parties (note 3)	209,594	136,203
Deferred revenue	-	1,080
	<u>999,371</u>	<u>1,098,193</u>
Funds held in trust (note 4)	14,279	10,906
Deferred tangible capital contributions (note 9)	1,063	1,772
	<u>1,014,713</u>	<u>1,110,871</u>
Net assets:		
Unrestricted	94,459	105,187
Invested in tangible capital assets	300,371	307,759
Internally restricted	425,639	425,639
	<u>820,469</u>	<u>838,585</u>
Contingent liabilities (note 10)		
Effects of COVID-19 (note 14)		
	<u>\$ 1,835,182</u>	<u>\$ 1,949,456</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Chair

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Ontario Ministry of Long-Term Care (note 8)	\$ 6,535,270	\$ 6,436,239
Resident fees	3,405,440	3,304,466
Other	45,966	24,051
Amortization of deferred tangible capital contributions	709	1,076
	<u>9,987,385</u>	<u>9,765,832</u>
Expenses (note 12):		
Nursing - direct and administration	5,198,710	5,114,925
Food services	1,146,282	1,123,959
Administration	761,449	733,841
Rent (note 3)	739,440	739,440
Programs	551,384	479,324
Plant maintenance	472,357	452,586
Plant operations and communications	332,448	344,650
Housekeeping	321,784	328,281
Laundry and linen	218,041	208,599
Information systems	132,721	114,140
Health records	63,034	63,453
Amortization of tangible capital assets	49,756	49,647
Bad debt expense	14,707	4,753
Loss of disposal	3,388	-
	<u>10,005,501</u>	<u>9,757,598</u>
Excess (deficiency) of revenue over expenses	\$ (18,116)	\$ 8,234

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Unrestricted	Invested in Tangible Capital Assets	Internally Restricted	Total 2020	Total 2019
Balance, beginning of year	\$ 105,187	307,759	425,639	838,585	830,351
Excess (deficiency) of revenue over expenses	30,931	(49,047)	-	(18,116)	8,234
Interfund transfers	(41,659)	41,659	-	-	-
Balance, end of year	\$ 94,459	300,371	425,639	820,469	838,585

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (18,116)	\$ 8,234
Items not involving cash:		
Amortization of deferred tangible capital contributions	(709)	(1,076)
Amortization of tangible capital assets	49,756	49,647
Loss on sale of tangible capital assets	3,388	-
	<u>34,319</u>	<u>56,805</u>
Change in non-cash working capital balances:		
Decrease (increase) in accounts receivable	(582)	6,990
Decrease (increase) in inventory	5,608	(2,377)
Decrease (increase) in prepaid expenses	2,179	(21,745)
Increase (decrease) in accounts payable and accrued liabilities	(158,375)	256,007
Decrease (increase) in payable to the Ontario Ministry of Long-Term Care	(12,758)	1,323
Increase (decrease) in deferred revenue	(1,080)	1,080
Net change in funds held in trust for residents	3,373	40
	<u>(127,316)</u>	<u>298,123</u>
Cash flows from investing activities:		
Advances to related parties (note 3)	90,875	(428,286)
Purchase of tangible capital assets	(41,659)	(27,143)
Proceeds on sale of tangible capital assets	6,271	-
	<u>55,487</u>	<u>(455,429)</u>
Net decrease in cash	(71,829)	(157,306)
Cash, beginning of year	124,031	281,337
Cash, end of year	<u>\$ 52,202</u>	<u>\$ 124,031</u>
Cash consists of:		
Cash	34,933	112,369
Restricted cash	17,269	11,662
Cash, end of year	<u>\$ 52,202</u>	<u>\$ 124,031</u>

See accompanying notes to financial statements.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements

Year ended March 31, 2020

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 license 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 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, 2020

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, as per the Board's capital reserve policy.

(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.

(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 Long Term Care and held in trust for residents.

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

1. Significant accounting policies (continued):

(g) Financial instruments:

(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 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 Long Term Care and accounts payable and accrued liabilities.

2. Accounts receivable:

	2020	2019
Canada Revenue Agency (HST)	\$ 45,322	38,584
Residents	33,501	37,734
Other	5,597	5,821
Ontario Ministry of Long-Term Care	3,040	4,739
	<hr/>	<hr/>
	\$ 87,460	86,878

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

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:

	2020	2019
St. Joseph's Health Centre of Sudbury	\$ 1,287,217	1,312,465
St. Joseph's Villa of Sudbury	36,899	29,135
	<u>\$ 1,324,116</u>	<u>1,341,600</u>

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 (2019 - \$739,440).

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:

	2020	2019
St. Joseph's Continuing Care Centre of Sudbury	\$ 209,594	136,203

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, 2020

5. Tangible capital assets:

	2020		
	Cost	Accumulated Amortization	Net book Value
Equipment	\$ 231,146	134,049	97,097
Computer equipment	70,884	42,184	28,700
Leasehold improvements	241,536	80,825	160,711
Furniture	7,824	2,559	5,265
	<u>\$ 551,390</u>	<u>259,617</u>	<u>291,773</u>
	2019		
	Cost	Accumulated Amortization	Net book Value
Equipment	\$ 198,615	114,757	83,858
Handi-bus	38,641	28,981	9,660
Computer equipment	61,756	30,941	30,815
Leasehold improvements	241,536	61,997	179,539
Furniture	7,824	2,167	5,657
	<u>\$ 548,372</u>	<u>238,843</u>	<u>309,529</u>

6. Bank indebtedness:

The SGV has an overdraft lending agreement facility with the Bank of Montreal to a maximum of \$200,000 with interest charged at prime minus 0.75% per annum. The overdraft facility has been guaranteed by St. Joseph's Health Centre of Sudbury. At March 31, 2020, there was no amount drawn on this facility (2019 - \$Nil).

7. Accounts payable and accrued liabilities:

	2020	2019
Trade payables	\$ 125,936	99,201
Government remittances	115,964	116,079
Other	544,102	729,097
	<u>\$ 786,002</u>	<u>944,377</u>

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

8. Payable to the Ontario Ministry of Long-Term Care:

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

	2020	2019
Resident Co-Payment Reduction	\$ (5,625)	7,133
Peritoneal Dialysis Funding	9,400	9,400
	\$ 3,775	16,533

The Resident Co-Payment Reduction represents the amount (receivable) payable (from) to 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.

9. Deferred tangible capital contributions:

	2020	2019
Balance, beginning of year	\$ 1,772	2,848
Less: amounts recognized as revenue in the year	(709)	(1,076)
Balance, end of year	\$ 1,063	1,772

10. Contingent liabilities:

The Health Centre has entered in accountable contribution agreements with the Ministry (see note 8). 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 Ministry. Annual reconciliations are completed on a calendar basis. Accordingly, at March 31, 2020, management has estimated an amount payable to the Ministry (see note 8).

ST. GABRIEL'S VILLA OF SUDBURY

Notes to Financial Statements (continued)

Year ended March 31, 2020

11. 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 \$87,460 (2019 - \$86,878). 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 Ministry of Long Term Care balances of \$791,945 (2019 - \$960,910).

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, 2020

12. Operating expenses listed by type:

	2020	2019
Wages and employee benefits	\$ 5,937,649	5,959,985
Purchased services - nursing	147,660	105,571
Purchased services - other	1,580,248	1,397,435
Rent	739,440	739,440
Food	455,442	448,134
Supplies	335,710	318,308
Utilities	276,305	266,394
Repairs and maintenance	212,433	188,937
Amortization of tangible capital assets	49,756	49,647
Office and general	48,573	40,946
Licences, fees and dues	42,925	36,116
Insurance	40,775	56,221
Equipment costs	39,219	43,240
Professional fees	33,594	35,275
Advertising and promotion	19,812	12,672
Training and development	15,964	25,896
Telephone	15,909	17,224
Consulting fees	6,283	7,092
Travel	4,232	8,455
Loss on disposal	3,388	–
Bank and interest charges	184	536
Union	–	74
	<u>\$ 10,005,501</u>	<u>9,757,598</u>

13. Comparative information:

Certain comparative information has been reclassified from those previously presented to conform to the presentation adopted on the 2020 financial statements.

14. Effects of COVID-19:

In March of 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year-end. Management has assessed the financial impacts and there are no additional adjustments required to the financial statements at this time.