

St. Gabriel's Villa of Sudbury

Financial Statements

Year ended March 31, 2016

INDEPENDENT AUDITOR'S REPORT

To: The Members of
St. Gabriel's Villa of Sudbury

Report on the Financial Statements

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, 2016**, and the statements of operations, changes 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 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.

Auditor's 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 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT, continued*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, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Freelandt Caldwell Reilly LLP". The signature is written in a cursive, flowing style.**FREELANDT CALDWELL REILLY LLP**

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
June 22, 2016

St. Gabriel's Villa of Sudbury
Statement of Financial Position
March 31, 2016 with comparative figures for 2015

	2016	2015
Assets		
Current		
Cash	\$ 163,292	\$ 327,620
Accounts receivable (note 3)	282,001	94,250
Inventory	57,094	50,960
Prepaid expenses	25,553	16,643
Advances to related parties (note 4)	1,061,758	1,244,037
	1,589,698	1,733,510
Restricted cash (note 5)	14,708	14,342
Tangible capital assets (note 6)	212,258	237,893
	\$ 1,816,664	\$ 1,985,745

Liabilities and net assets

Current		
Accounts payable and accrued liabilities (note 7)	\$ 709,796	\$ 858,060
Payable to the Ontario Ministry of Health and Long-Term Care (note 8)	164,280	172,067
Advances from related parties (note 4)	12,204	14,866
Deferred revenue (note 9)	8,864	51,703
	895,144	1,096,696
Held in trust for residents (note 5)	14,708	14,342
Deferred tangible capital contributions (note 10)	10,770	18,240
	920,622	1,129,278
Net assets		
Unrestricted	168,387	106,815
Investment in Tangible Capital Assets	201,488	219,653
Internally Restricted	526,167	529,999
	896,042	856,467
	\$ 1,816,664	\$ 1,985,745

Contingent liabilities (note 11)

Approved on behalf of the Board

Board Member _____

Board Member _____

St. Gabriel's Villa of Sudbury
Statement of Operations
Year ended March 31, 2016 with comparative figures for 2015

	2016	2015
Revenues		
Ontario Ministry of Health and Long-term Care (note 8)	\$ 5,958,268	\$ 5,913,298
Resident fees	3,050,717	2,992,889
Other	30,741	28,254
Amortization of deferred tangible capital contributions	7,470	7,470
	9,047,196	8,941,911
Expenditures		
Nursing - direct & administration	4,485,042	4,342,317
Food services	1,029,706	1,018,212
Rent	868,270	894,000
Administration	681,159	728,800
Programs	501,717	445,874
Plant maintenance	430,434	436,797
Plant operations and communications	323,093	367,624
Housekeeping	304,586	298,498
Laundry and linen	187,936	186,624
Information systems	98,317	65,456
Health records	67,894	67,008
Amortization	29,467	22,167
	9,007,621	8,873,377
Excess of revenues over expenditures	\$ 39,575	\$ 68,534

St. Gabriel's Villa of Sudbury
Statement of Changes in Net Assets
Year ended March 31, 2016 with comparative figures for 2015

					2016
		Total	Unrestricted	Investment in Tangible Capital Assets	Internally Restricted
Balance, beginning of year	\$	856,467	\$ 106,815	\$ 219,653	\$ 529,999
Excess of revenues over expenditures		39,575	39,575	-	-
Amortization		-	29,467	(29,467)	-
Additions to tangible capital assets		-	-	3,832	(3,832)
Amortization of deferred tangible capital contributions		-	(7,470)	7,470	-
Balance, end of year	\$	896,042	\$ 168,387	\$ 201,488	\$ 526,167
					2015
		Total	Unrestricted	Investment in Tangible Capital Assets	Internally Restricted
Balance, beginning of year	\$	787,933	\$ 83,584	\$ 104,349	\$ 600,000
Excess of revenues over expenditures		68,534	68,534	-	-
Amortization		-	22,167	(22,167)	-
Additions to tangible capital assets		-	-	130,001	(130,001)
Amortization of deferred tangible capital contributions		-	(7,470)	7,470	-
Transfer		-	(60,000)	-	60,000
Balance, end of year	\$	856,467	\$ 106,815	\$ 219,653	\$ 529,999

St. Gabriel's Villa of Sudbury

Cash Flows Statement

Year ended March 31, 2016 with comparative figures for 2015

	2016	2015
Cash flows from operating activities		
Excess of revenues over expenditures	\$ 39,575	\$ 68,534
Adjustment for non-cash item		
Amortization	29,467	22,167
	69,042	90,701
Change in non-cash working capital items		
Accounts receivable	(187,751)	(11,688)
Inventory	(6,134)	(2,070)
Prepaid expenses	(8,910)	27,309
Accounts payable and accrued liabilities	(148,264)	168,193
Payable to the Ontario Ministry of Health and Long-term Care	(7,787)	(64,940)
Deferred revenue	(42,839)	(924,828)
	(332,643)	(717,323)
Cash flows from investing activities		
Net recoveries of advances to related parties	179,617	1,011,353
Purchase of tangible capital assets	(3,832)	(130,000)
	175,785	881,353
Cash flows from financing activity		
Deferred tangible capital contributions	(7,470)	(7,470)
Increase (decrease) in cash	(164,328)	156,560
Cash, beginning of year	327,620	171,060
Cash, end of year	\$ 163,292	\$ 327,620

St. Gabriel's Villa of Sudbury

Notes to the Financial Statements

Year ended March 31, 2016

1. Nature of operations

St. Gabriel's Villa of Sudbury (the "VSGV") was incorporated, without share capital, under the laws of the province of Ontario on January 22, 2010 and began operations in March 2011. It operates a long-term care facility in the City of Greater Sudbury, Ontario. The facility 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 the facilities in which the VSGV operates. The VSGV is responsible for the management of the facilities on behalf of the Health Centre.

2. Significant accounting policies

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

(a) Inventory

Inventory is valued at cost. Cost is determined using the purchased cost basis.

(b) Tangible capital assets

Tangible capital assets are recorded at cost. The organization 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, 10 & 15 years
Handi-bus	10 years
Computer equipment	5 years
Leasehold improvements	10 years
Furniture	20 years

Additions are amortized at one-half the annual rate in the year of acquisition.

Assets under construction are not amortized until construction is complete.

(c) 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.

(d) Internally restricted net assets

Restricted net assets represent amounts internally restricted for unforeseen expenses.

St. Gabriel's Villa of Sudbury
Notes to the Financial Statements
Year ended March 31, 2016

2. Significant accounting policies, continued

(e) Revenue recognition

The VSGV follows the deferral method of accounting for contributions.

The VSGV is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health and Long-Term Care. These contributions are recorded as revenue in the period to which they relate. Contributions approved but not received at the end of the year are accrued.

Unrestricted contributions are recognized as revenue when received or receivable.

The revenue earned from residents is recognized as services are rendered.

Deferred revenue consists of the unexpended portion of grants received that are expected to be recognized as revenue in a future period, and amounts received from residents in excess of amounts earned.

(f) Contributed services

A substantial number of volunteers contribute a significant amount of their time to the VSGV 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 the Financial Statements

Year ended March 31, 2016

2. Significant accounting policies, continued

(g) Financial instruments

(i) Measurement of financial instruments

The VSGV 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. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The VSGV subsequently measures its financial assets and financial liabilities at amortized cost, except for investments in equity securities that are quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations in the period they occur.

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 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.

St. Gabriel's Villa of Sudbury**Notes to the Financial Statements****Year ended March 31, 2016**

2. Significant accounting policies, continued**(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 year. Actual results could differ from those estimates. The amounts affected by significant estimates are amounts payable to the Ontario Ministry of Health and Long-Term Care.

3. Accounts receivable

	2016	2015
Ontario Ministry of Health and Long-Term Care	\$ 96,875	\$ 4,175
Residents	46,560	35,891
Canada Revenue Agency (HST)	44,908	47,596
Other	93,658	6,588
	\$ 282,001	\$ 94,250

St. Gabriel's Villa of Sudbury

Notes to the Financial Statements

Year ended March 31, 2016

4. Related party transactions

- (a) The VSGV is related to the St. Joseph's Health Centre of Sudbury, St. Joseph's Villa of Sudbury and St. Joseph's Continuing Care Centre by virtue of common board members.

- (b) Advances to related parties

	2016	2015
St. Joseph's Health Centre of Sudbury	\$ 1,061,758	\$ 1,241,664
St. Joseph's Continuing Care Centre	-	2,373
	<u>\$ 1,061,758</u>	<u>\$ 1,244,037</u>

An agreement exists between the Health Centre and the VSGV that states that the VSGV 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 VSGV operates. The rent for the year was \$868,270 (2015 - \$894,000).

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 managements of the related parties.

- (c) Advances from related parties

	2016	2015
St. Joseph's Villa of Sudbury	\$ 812	\$ 14,866
St. Joseph's Continuing Care Centre	11,392	-
	<u>\$ 12,204</u>	<u>\$ 14,866</u>

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

5. 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 the Financial Statements
Year ended March 31, 2016

6. Tangible capital assets

			2016			2015
	Cost	Accumulated amortization	Net	Net		
Equipment	\$ 123,350	\$ 66,690	\$ 56,660	\$	72,477	
Handi-bus	38,641	17,389	21,252		25,116	
Computer equipment	12,433	11,190	1,243		3,730	
Leasehold improvements	135,041	8,768	126,273		133,277	
Furniture	7,824	994	6,830		3,293	
	\$ 317,289	\$ 105,031	\$ 212,258	\$	237,893	

7. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances owing of \$110,062 (2015 - \$119,304).

St. Gabriel's Villa of Sudbury**Notes to the Financial Statements****Year ended March 31, 2016**

8. 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:

	2016	2015
Resident Co-Payment Reduction	\$ 154,880	\$ 156,437
Peritoneal Dialysis Funding	9,400	9,400
RPN Initiative Funding	-	6,230
	\$ 164,280	\$ 172,067

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 payable back to the Ministry.

The RPN Initiative Funding represents monies received by the VSGV to create a new and permanent RPN position. The portion of monies not spent for this new position 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 VSGV operates, to the VSGV.

9. Deferred revenue

	2016	2015
Ministry of Health and Long-Term Care	\$ -	\$ 50,000
Residents	8,864	1,703
	\$ 8,864	\$ 51,703

St. Gabriel's Villa of Sudbury

Notes to the Financial Statements

Year ended March 31, 2016

10. Deferred tangible capital contributions

Deferred contributions related to tangible capital assets represent restricted contributions used for the construction of VSGV. The changes in the year are as follows:

	2016	2015
Balance, beginning of year	\$ 18,240	\$ 25,710
Less: amounts recognized as revenue in the year	(7,470)	(7,470)
	<u>\$ 10,770</u>	<u>\$ 18,240</u>

11. Contingent liabilities

The Health Centre has entered into 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 VSGV and be recorded in the period in which they are determined.

The organization 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, 2016 management has estimated an amount payable to the Ministry (see note 8).

12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The organization is exposed to the following risks associated with financial instruments and transactions it is a party to:

(a) Credit risk

Credit risk is the risk that one party to a financial transaction will fail to discharge a financial obligation and cause the other party to incur a financial loss. The VSGV is exposed to this risk relating to its cash and accounts receivable.

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

The VSGV incurs receivable transactions in the normal course of operations and is exposed to credit risk associated with its accounts receivable balances of \$282,001 (2015 - \$94,250). The VSGV manages this risk exposure through management's on-going monitoring of accounts receivable balances and collections. The VSGV 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(g)(ii) regarding the organization's policies for assessing impairment of financial assets measured at other than fair value which includes advances to related parties.

St. Gabriel's Villa of Sudbury**Notes to the Financial Statements****Year ended March 31, 2016**

12. Financial instruments, continued**(b) Liquidity risk**

Liquidity risk is the risk that an organization cannot repay its obligations when they become due to its creditors. The VSGV 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 \$874,076 (2015 - \$1,030,127). The VSGV reduces its exposure to liquidity risk by ensuring that it 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.

13. Operating expenses listed by type

	2016	2015
Wages and employee benefits	\$ 6,654,932	\$ 6,496,972
Rent expense	868,270	894,000
Food	411,888	416,245
Supplies	302,539	306,789
Utilities	207,714	283,106
Purchased services	120,373	144,305
Equipment costs	75,952	18,457
Professional fees	65,778	65,951
Insurance	59,043	60,429
Office and general	55,461	49,659
Consulting fees	44,235	3,569
Repairs and maintenance	36,926	19,042
Amortization	29,467	22,167
Licences, fees and dues	25,290	43,591
Telephone	22,125	15,459
Advertising and promotion	17,143	17,166
Bank and interest charges	5,561	6,207
Training and development	2,672	9,648
Union expense	1,250	-
Travel	1,002	615
	\$ 9,007,621	\$ 8,873,377