

Consolidated Financial Statements of

**THE RELIGIOUS HOSPITALLERS OF  
ST. JOSEPH OF CORNWALL, ONTARIO**

Year ended March 31, 2011

# **THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO**

Consolidated Financial Statements

Year ended March 31, 2011

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## **INDEPENDENT AUDITORS' REPORT**

To The Religious Hospitallers of St. Joseph of Cornwall, Ontario

We have audited the accompanying consolidated financial statements of The Religious Hospitallers of St. Joseph of Cornwall, Ontario, which comprise the consolidated statement of financial position as at March 31, 2011, the consolidated 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Religious Hospitallers of St. Joseph of Cornwall, Ontario as at March 31, 2011, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

June 9, 2011

Kingston, Canada

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO


## Consolidated Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Assets</b>		
Current assets:		
Cash	\$ 4,684,265	\$ 5,338,101
Accounts receivable (note 2)	282,162	114,693
Inventory	1,518	1,248
Prepaid expenses	98,133	89,005
	<u>5,066,078</u>	<u>5,543,047</u>
Trust fund assets	41,992	35,205
Capital assets (note 3)	31,497,530	32,543,146
	<u>\$ 36,605,600</u>	<u>\$ 38,121,398</u>
<b>Liabilities, Deferred Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,495,074	\$ 4,168,882
Current portion of long-term debt (note 4)	448,613	-
	<u>4,943,687</u>	<u>4,168,882</u>
Trust fund liabilities	41,992	35,205
Long-term debt (note 4)	14,051,387	15,926,799
Deferred contributions (note 5)	16,445,031	17,162,699
	<u>30,538,410</u>	<u>33,124,703</u>
Net assets:		
Invested in capital assets (note 6)	597,283	109,856
Internally restricted (note 12)	-	447,388
Unrestricted	526,220	270,569
	<u>1,123,503</u>	<u>827,813</u>
Contingencies (note 10)		
	<u>\$ 36,605,600</u>	<u>\$ 38,121,398</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board and the Membership:

 Chairperson of the Board

 President of the Membership

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

## Consolidated Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Revenue:</b>		
Ministry of Health and Long-Term Care	\$ 13,747,963	\$ 12,440,944
Patient revenue	3,478,831	3,367,342
Other	444,672	383,670
Amortization of deferred contributions	848,615	722,388
	18,520,081	16,914,344
<b>Expenses:</b>		
Salaries and wages	10,552,748	9,820,560
Employee benefits	3,066,268	2,824,999
Other supplies and expenses	2,524,918	2,573,579
Amortization of capital assets	1,261,018	1,120,586
Drugs	213,694	179,782
Medical and surgical supplies	231,099	174,541
Interest on long-term debt	347,438	104,950
Medical staff remuneration	27,208	26,674
	18,224,391	16,825,671
<b>Excess of revenue and expenses before the undernoted</b>	<b>295,690</b>	<b>88,673</b>
Recovery of prior year utility costs	-	359,236
<b>Excess of revenue over expenses</b>	<b>\$ 295,690</b>	<b>\$ 447,909</b>

See accompanying notes to consolidated financial statements.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

## Consolidated Statement of Changes in Net Assets

Year ended March 31, 2011, with comparative figures for 2010

	Unrestricted	Internally restricted	Invested in capital assets	2011 Total	2010 Total
Balance, beginning of year	\$ 270,569	\$ 447,388	\$ 109,856	\$ 827,813	\$ 379,904
Excess of revenue over expenses (expenses over revenue) (note 6)	708,093	-	(412,403)	295,690	447,909
Interfund transfers (note 12)	447,388	(447,388)	-	-	-
Net change in investment in capital assets (note 6)	(899,830)	-	899,830	-	-
<b>Balance, end of year</b>	<b>\$ 526,220</b>	<b>\$ -</b>	<b>\$ 597,283</b>	<b>\$ 1,123,503</b>	<b>\$ 827,813</b>

See accompanying notes to consolidated financial statements.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

## Consolidated Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
<b>Cash provided by (used in):</b>		
<b>Operating activities:</b>		
Excess of revenue over expenses	\$ 295,690	\$ 447,909
Items not involving cash:		
Forgiveness of loan		-
Amortization of capital assets	1,261,018	1,120,586
Amortization of deferred contributions	(848,615)	(722,388)
Loss on disposal of capital assets	323	-
Change in non-cash operating working capital:		
Accounts receivable	(167,469)	(19,393)
Inventory	(270)	261
Prepaid expenses	(9,128)	(27,616)
Accounts payable and accrued liabilities	326,192	1,083,637
Deferred revenue	-	(34,000)
	857,741	1,848,996
<b>Financing activities:</b>		
Additions to deferred contributions	130,947	343,606
Deferred contributions repayable to Province	-	(1,800,000)
Long-term debt advances (repayments)	(1,426,799)	4,926,799
	(1,295,852)	3,470,405
<b>Investing activities:</b>		
Purchase of capital assets	(217,225)	(1,776,857)
Proceeds from disposal of capital asset	1,500	-
	(215,725)	(1,776,857)
Increase (decrease) in cash	(653,836)	3,542,544
Cash, beginning of year	5,338,101	1,795,557
Cash, end of year	\$ 4,684,265	\$ 5,338,101
<b>Supplementary information:</b>		
Interest paid	\$ 104,553	\$ 104,950

See accompanying notes to consolidated financial statements.



# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements

Year ended March 31, 2011

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The Religious Hospitallers of St. Joseph of Cornwall, Ontario (the "Health Centre") was incorporated under the Corporations Act of Ontario and its principal activity is the delivery of health services. The Health Centre is operated as St. Joseph's Continuing Care Centre.

These consolidated financial statements present the consolidated financial position and results of operations of the Health Centre and its subsidiaries. The Health 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.

The Religious Hospitallers of St. Joseph of Cornwall, Ontario operates under the canonical sponsorship of Catholic Health International. These consolidated financial statements present the financial position and results of operations of The Religious Hospitallers of St. Joseph of Cornwall, Ontario.

Capital assets disclosed in the consolidated statement of financial position include land, buildings and building service equipment, some of which were contributed by the Religious Hospitallers of St. Joseph.

## 1. Significant accounting policies:

### (a) Revenue recognition:

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

Under the Health Insurance Act and Regulations thereto the Health Centre is funded primarily by the Province of Ontario. 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. These consolidated financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2011.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from in-patient and resident services, preferred accommodation, marketed services and recoveries and other revenue is recognized when the goods are sold or the service is provided.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2011

## 1. Significant accounting policies (continued):

### (b) Basis of consolidation:

The consolidated financial statements include the accounts of Hotel Dieu Hospital and St. Joseph's Villa which are operated by the same administration and owned by the Health Centre.

### (c) Inventory:

Inventory is valued at the lower of average cost and net realizable value.

### (d) Capital assets:

Purchased capital assets are recorded at cost. The original cost does not reflect replacement cost or market value upon liquidation. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis at the following annual rates:

Asset	Rate
Land improvements	10%
Buildings	2% to 5%
Building service equipment	4% to 20%
Furniture and equipment	6.67% to 20%

The costs incurred for major capital projects are classified separately as construction in progress until the project is complete. When complete the costs are transferred to the appropriate capital asset category and amortized.

### (e) Contributed services:

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

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2011

## 1. Significant accounting policies (continued):

### (f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

## 2. Accounts receivable:

	2011	2010
Accounts receivable from:		
Residents and in-patients	\$ 42,511	\$ 24,897
Other	239,651	89,796
	<b>\$ 282,162</b>	<b>\$ 114,693</b>

## 3. Capital assets:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Land and land improvements	\$ 971,565	\$ 129,422	\$ 842,143	\$ 858,095
Buildings	27,542,997	1,866,331	25,676,666	26,365,240
Building service equipment	2,529,608	449,568	2,080,040	2,262,093
Furniture and equipment	5,002,588	2,103,907	2,898,681	3,057,718
	<b>\$ 36,046,758</b>	<b>\$ 4,549,228</b>	<b>\$ 31,497,530</b>	<b>\$ 32,543,146</b>

Cost and accumulated amortization of capital assets at March 31, 2010 amounted to \$35,903,189 and \$3,360,043 respectively.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2011

## 4. Long-term debt:

Long-term debt consists of:

	2011	2010
Construction loan, Ontario Infrastructure Projects Corporation, floating interest rate, interest only payable monthly	\$ 1,000,000	\$ 15,926,799
Debenture payable, Ontario Infrastructure Projects Corporation, annual interest rate 4.06%, repayable in blended semi annual payments of \$496,103, maturity date October 16, 2030	13,500,000	-
	14,500,000	15,926,799
Current portion of long-term debt	448,613	-
	\$ 14,051,387	\$ 15,926,799

Principal repayments for the next five years and thereafter are as follows:

2011	\$ 448,613
2012	467,012
2013	506,104
2014	526,860
2015	548,468
Thereafter	12,002,943
	\$ 14,500,000

Under a financing agreement dated March 2007, the Religious Hospitallers of St. Joseph of Cornwall, Ontario has a committed loan facility in the amount of \$1,000,000, of which \$1,000,000 (2010 - \$15,926,799) has been drawn.

Interest is payable monthly on advances under the facility at a floating rate set by the lender.

During the year, a portion of the construction loan was converted into a debenture.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2011

## 5. Deferred contributions:

- (a) Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2011	2010
Balance, beginning of year	\$ 17,162,699	\$ 19,341,481
Deferred contributions received during the year	130,947	343,606
Deferred contributions repayable to Province (estimated)	-	(1,800,000)
Amortization of deferred contributions	(848,615)	(722,388)
<b>Balance, end of year</b>	<b>\$ 16,445,031</b>	<b>\$ 17,162,699</b>

- (b) The deferred contributions related to capital assets consist of the following:

	2011	2010
Unamortized deferred contributions used to purchase assets	\$ 16,400,247	\$ 17,072,415
Unspent contributions	44,784	90,284
<b>Balance, end of year</b>	<b>\$ 16,445,031</b>	<b>\$ 17,162,699</b>

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2011

## 6. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2011	2010
Capital assets	\$ 31,497,530	\$ 32,543,146
Amounts financed by:		
Long-term debt	(14,500,000)	(15,360,875)
Deferred contributions	(16,400,247)	(17,072,415)
	<u>\$ 597,283</u>	<u>\$ 109,856</u>

(b) Changes in net assets invested in capital assets is calculated as follows:

	2011	2010
Excess of revenue over expenses		
Amortization of deferred contributions	\$ 848,615	\$ 722,388
Amortization of capital assets	(1,261,018)	(1,120,586)
	<u>\$ (412,403)</u>	<u>\$ (398,198)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 217,225	\$ 1,776,857
Amounts funded by deferred contributions	(176,447)	(11,377,582)
Proceeds from long-term debt	-	(4,360,875)
Repayments of long-term debt	860,875	-
Net loss on disposals of capital assets	(1,823)	-
	<u>\$ 899,830</u>	<u>\$ (13,961,600)</u>

## 7. Related party transactions:

The Health Centre provided management services in the amount of \$44,478 (2010 - \$44,478) to the Religious Hospitallers of St. Joseph Housing Corporation. These amounts are fully reimbursed on an annual basis. The Religious Hospitallers of St. Joseph Housing Corporation is managed and directed by specific employees of the Health Centre and a volunteer board of directors comprised of community representatives.

# THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2011

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## 8. Related entities:

The Health Centre has economic interest in the Religious Hospitallers of St. Joseph Health Centre of Cornwall Fund (the "Fund").

During the year, the Health Centre received \$78,659 (2010 - \$83,000) from the Fund for capital purchases. The amount of \$78,659 was receivable from the Fund at March 31, 2011.

## 9. Pension plan:

Substantially all of the full-time employees of the Health Centre are members of the Healthcare of Ontario Pension Plan. Contributions to the plan made during the year by the Health Centre on behalf of its employees amounted to \$726,883 (2010 - \$637,034) and are included in the employee benefits in the consolidated statement of operations.

## 10. Contingencies:

(a) The Health Centre has been named in various lawsuits. These are presently in the hands of the Hospital's insurance company and legal advisors, and the amount of possible loss or the likelihood of loss is not determinable.

(b) Pursuant to an agreement with a chartered bank, the Health Centre has registered a letter of guarantee in the amount of \$50,000 to the Corporation of the City of Cornwall. As at March 31, 2011, the instrument has not been drawn upon.

## 11. Fair value of financial instruments:

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity. The carrying value of third-party long-term debt approximates its fair value due to the fact that it would be available to the Health Centre at similar terms.

## 12. Internally restricted:

In 2009, the Health Centre's board passed a resolution to internally restrict a portion of the loan forgiveness of \$112,765 for the redevelopment project.

In 2010, the Health Centre's board passed a resolution to internally restrict \$334,623 for future capital expenses.

In 2011, the Health Centre's board passed a resolution to remove the total internal restriction of \$447,388 to reduce the long-term debt.