

Consolidated Financial Statements of

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

Years ended March 31, 2013 and 2012

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

Consolidated Financial Statements

Years ended March 31, 2013 and 2012

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of The Religious Hospitallers of St. Joseph of Cornwall, Ontario, which comprise the consolidated statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the consolidated statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Consolidated Statements*

Management is responsible for the preparation and fair presentation of these financial consolidated statements in accordance with Canadian public sector accounting standards, 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the financial consolidated 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, 2013, March 31, 2012 and April 1, 2011, its consolidated results of operations, consolidated changes in net assets and its consolidated cash flows for the years ended March 31, 2013 and March 31, 2012 and the remeasurement gains and losses for the year ended March 31, 2013, in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

June 12, 2013

Kingston, Canada

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

Consolidated Statements of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011



	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
Current assets:			
Cash	\$ 4,184,795	\$ 4,099,094	\$ 4,684,265
Accounts receivable (note 2)	358,228	239,145	282,162
Inventory	880	1,747	1,518
Prepaid expenses	88,836	107,223	98,133
	4,632,739	4,447,209	5,066,078
Trust fund assets	35,078	39,617	41,992
Capital assets (note 3)	29,446,011	30,611,621	31,497,530
	\$ 34,113,828	\$ 35,098,447	\$ 36,605,600

## Liabilities, Deferred Contributions and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities	\$ 5,012,197	\$ 4,829,494	\$ 4,495,074
Current portion of long-term debt (note 4)	486,164	467,012	448,613
	5,498,361	5,296,506	4,943,687
Trust fund liabilities	35,078	39,617	41,992
Long-term debt (note 4)	12,098,211	12,584,375	14,051,387
Deferred contributions (note 5)	15,288,937	16,063,071	16,445,031
	27,422,226	28,687,063	30,538,410
Net assets:			
Invested in capital assets (note 6)	1,614,044	1,548,579	597,283
Endowment fund	21,085	-	-
Unrestricted	(441,888)	(433,701)	526,220
	1,193,241	1,114,878	1,123,503
Contingencies (note 10)			
	\$ 34,113,828	\$ 35,098,447	\$ 36,605,600

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 Statements of Operations

Years ended March 31, 2013 and 2012

	2013	2012
<b>Revenue:</b>		
Ministry of Health and Long-Term Care	\$ 17,024,234	\$ 15,708,691
Patient revenue	3,927,223	3,734,916
Other	444,454	525,205
Amortization of deferred contributions	855,445	832,597
	<u>22,251,356</u>	<u>20,801,409</u>
<b>Expenses:</b>		
Salaries and wages	13,029,365	11,924,145
Employee benefits	3,848,686	3,639,747
Other supplies and expenses	2,828,177	2,871,782
Amortization of capital assets	1,280,440	1,232,280
Drugs	298,763	252,913
Medical and surgical supplies	365,463	312,499
Interest on long-term debt	516,510	549,460
Medical staff remuneration	26,674	27,208
	<u>22,194,078</u>	<u>20,810,034</u>
<b>Excess of revenue over expenses (expenses over revenue)</b>	<b>\$ 57,278</b>	<b>\$ (8,625)</b>

See accompanying notes to consolidated financial statements.

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

## Consolidated Statements of Changes in Net Assets

Years ended March 31, 2013 and 2012

March 31, 2013	Unrestricted	Endowment fund	Invested in capital assets	Total
Balance, beginning of year	\$ (433,701)	\$ -	\$ 1,548,579	\$ 1,114,878
Excess of revenue over expenses (expenses over revenue) (note 6)	482,273	-	(424,995)	57,278
Endowment contribution	-	21,085	-	21,085
Net change in investment in capital assets (note 6)	(490,460)	-	490,460	-
<b>Balance, end of year</b>	<b>\$ (441,888)</b>	<b>\$ 21,085</b>	<b>\$ 1,614,044</b>	<b>\$ 1,193,241</b>

March 31, 2012	Unrestricted	Invested in capital assets	Total
Balance, beginning of year	\$ 526,220	\$ 597,283	\$ 1,123,503
Excess of revenue over expenses (expenses over revenue) (note 6)	391,058	(399,683)	(8,625)
Net change in investment in capital assets (note 6)	(1,350,979)	1,350,979	-
<b>Balance, end of year</b>	<b>\$ (433,701)</b>	<b>\$ 1,548,579</b>	<b>\$ 1,114,878</b>

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows

Years ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses (expenses over revenue)	\$ 57,278	\$ (8,625)
Items not involving cash:		
Amortization of capital assets	1,280,440	1,232,280
Amortization of deferred contributions	(855,445)	(832,597)
Change in non-cash operating working capital:		
Accounts receivable	(119,083)	43,017
Inventory	867	(229)
Prepaid expenses	18,387	(9,090)
Accounts payable and accrued liabilities	182,703	334,420
	<u>565,147</u>	<u>759,176</u>
Capital activities:		
Purchase of capital assets	(114,830)	(432,166)
Recovery of excise taxes on capital assets	-	85,795
Additions to deferred contributions	81,311	450,637
	<u>(33,519)</u>	<u>104,266</u>
Financing activities:		
Long-term debt advances (repayments)	(467,012)	(1,448,613)
Endowment contribution	21,085	-
	<u>(445,927)</u>	<u>(1,448,613)</u>
Increase (decrease) in cash	85,701	(585,171)
Cash, beginning of year	4,099,094	4,684,265
Cash, end of year	<u>\$ 4,184,795</u>	<u>\$ 4,099,094</u>

See accompanying notes to consolidated financial statements.



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

Notes to Consolidated Financial Statements

Years ended March 31, 2013 and 2012

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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 statements of financial position include land, buildings and building service equipment, some of which were contributed by the Religious Hospitallers of St. Joseph.

On April 1, 2012, the Health Centre adopted Canadian public sector accounting standards. The Health Centre has also elected to apply the 4200 standards for government not-for-profit organizations. These are the first consolidated financial statements prepared in accordance with these public sector accounting standards.

In accordance with the transitional provisions in Canadian public sector accounting standards, the Health Centre has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying public sector accounting standards.

There were no adjustments to net assets as at April 1, 2011 or to excess of revenue over expenses for the year ended March 31, 2012 as a result of the transition to Canadian public sector accounting standards.

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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies:

The consolidated 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 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, 2013.

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.

Endowment contributions are recognized as direct increases in endowment net assets.

### (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.

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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 1. Significant accounting policies (continued):

### (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 Health Centre'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.

### (f) 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 year. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment, and obligations related to employee future benefits. Actual results could differ from those estimates.

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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 1. Significant accounting policies (continued):

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry financial instruments at fair value. Long-term debt is recorded at cost.

### (h) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2013.

## 2. Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
Accounts receivable from:			
Residents and in-patients	\$ 140,864	\$ 101,917	\$ 83,457
Other	268,703	169,597	239,651
	409,567	271,514	323,108
Allowance for doubtful accounts	51,339	32,369	40,946
	\$ 358,228	\$ 239,145	\$ 282,162

## 3. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 1,004,177	\$ 173,666	\$ 830,511
Buildings	27,497,145	3,235,130	24,262,015
Building service equipment	2,676,350	780,683	1,895,667
Furniture and equipment	5,330,285	2,872,467	2,457,818
	\$ 36,507,957	\$ 7,061,946	\$ 29,446,011

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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

### 3. Capital assets (continued):

March 31, 2012	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 973,678	\$ 150,627	\$ 823,051
Buildings	27,497,145	2,546,356	24,950,789
Building service equipment	2,650,861	611,088	2,039,773
Furniture and equipment	5,271,443	2,473,435	2,798,008
	<u>\$ 36,393,127</u>	<u>\$ 5,781,506</u>	<u>\$ 30,611,621</u>

April 1, 2011	Cost	Accumulated amortization	Net book value
Land and land improvements	\$ 971,565	\$ 129,422	\$ 842,143
Buildings	27,542,997	1,866,331	25,676,666
Building service equipment	2,529,608	449,568	2,080,040
Furniture and equipment	5,002,588	2,103,907	2,898,681
	<u>\$ 36,046,758</u>	<u>\$ 4,549,228</u>	<u>\$ 31,497,530</u>

### 4. Long-term debt:

Long-term debt consists of:

	March 31, 2013	March 31, 2012	April 1, 2011
Construction loan, Ontario Infrastructure Projects Corporation, floating interest rate, interest only payable monthly	\$ -	\$ -	\$ 1,000,000
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	12,584,375	13,051,387	13,500,000
	<u>12,584,375</u>	<u>13,051,387</u>	<u>14,500,000</u>
Current portion of long-term debt	486,164	467,012	448,613
	<u>\$ 12,098,211</u>	<u>\$ 12,584,375</u>	<u>\$ 14,051,387</u>

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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

#### 4. Long-term debt (continued):

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

2013	\$ 486,164
2014	506,104
2015	526,860
2016	548,468
2017	570,961
Thereafter	9,945,818
	\$ 12,584,375

#### 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.

	2013	2012
Balance, beginning of year	\$ 16,063,071	\$ 16,445,031
Deferred contributions received during the year	81,311	450,637
Amortization of deferred contributions	(855,445)	(832,597)
Balance, end of year	\$ 15,288,937	\$ 16,063,071

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

	March 31, 2013	March 31, 2012	April 1, 2011
Unamortized deferred contributions used to purchase assets	\$ 15,247,592	\$ 16,011,655	\$ 16,400,247
Unspent contributions	41,345	51,416	44,784
Balance, end of year	\$ 15,288,937	\$ 16,063,071	\$ 16,445,031

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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 6. Investment in capital assets:

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

	March 31, 2013	March 31, 2012	April 1, 2011
Capital assets	\$ 29,446,011	\$ 30,611,621	\$ 31,497,530
Amounts financed by:			
Long-term debt	(12,584,375)	(13,051,387)	(14,500,000)
Deferred contributions	(15,247,592)	(16,011,655)	(16,400,247)
	\$ 1,614,044	\$ 1,548,579	\$ 597,283

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

	2013	2012
Excess of revenue over expenses		
Amortization of deferred contributions	\$ 855,445	\$ 832,597
Amortization of capital assets	(1,280,440)	(1,232,280)
	\$ (424,995)	\$ (399,683)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 114,830	\$ 432,166
Amounts funded by deferred contributions	(91,382)	(444,005)
Repayments of long-term debt	467,012	1,448,613
Recovery of excise taxes	-	(85,795)
	\$ 490,460	\$ 1,350,979

## 7. Related party transactions:

The Health Centre provided management services in the amount of \$46,245 (2012 - \$44,478) to the Religious Hospitaliers of St. Joseph Housing Corporation. These amounts are fully reimbursed on an annual basis. The Religious Hospitaliers 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)

Years ended March 31, 2013 and 2012

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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 \$57,000 (2012 - \$76,689) from the Fund for capital purchases. The amount of \$78,659 was receivable from the Fund at March 31, 2012.

## 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 \$825,002 (2012 - \$780,942) and are included in the employee benefits in the consolidated statement of operations.

## 10. Contingencies:

- (a) The nature of Health Centre's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2013, management believes that the Health Centre has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Health Centre's financial position.
- (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, 2012, the instrument has not been drawn upon.

## 11. Financial risks and concentration of credit risk:

### (a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Health Centre is exposed to credit risk with respect to the accounts receivable and cash.

The Health Centre assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Health Centre at March 31, 2013 is the carrying value of these assets.



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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 11. Financial risks and concentration of credit risk (continued):

### (a) Credit risk (continued):

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2013 is \$51,339 (2012 - \$32,369).

As at March 31, 2013, \$27,049 (2012 - \$36,150) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2012.

### (b) Liquidity risk:

Liquidity risk is the risk that the Health Centre will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Health Centre manages its liquidity risk by monitoring its operating requirements. The Health Centre prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 60 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2012.

### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Health Centre's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

#### Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Health Centre to cash flow interest rate risk. The Health Centre is exposed to this risk through its interest bearing debenture payable.

There has been no change to the interest rate risk exposure from 2012.

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

Notes to Consolidated Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## **12. Change in accounting policy:**

On April 1, 2012, the Health Centre adopted Public Accounting Standards *PS 3450 - Financial Instruments and PS 2601 - Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

Under PS 3450, all financial instruments are included on the statement of financial position and are measured either at fair value or amortized cost based on the characteristics of the instrument and the Health Centre's accounting policy choices (see note 1 - significant accounting policies).

The adoption of these standards did not have a significant effect on the Health Centre's financial statements for the year ended March 31, 2013.