

Consolidated Financial Statements of

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

Year ended March 31, 2017

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Financial Statements

Year ended March 31, 2017

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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, 2017, 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 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 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, 2017, and its consolidated results of operations, its consolidated changes in net assets, its consolidated cash flows and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 18, 2017

Kingston, Canada

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 4,019,375	\$ 3,755,082
Accounts receivable (note 2)	117,826	338,560
Inventory	712	596
Prepaid expenses	99,736	77,236
	<u>4,237,649</u>	<u>4,171,474</u>
Trust fund assets	20,757	21,204
Capital assets (note 3)	25,102,454	26,403,836
	<u>\$ 29,360,860</u>	<u>\$ 30,596,514</u>

Liabilities, Deferred Contributions and Net Assets

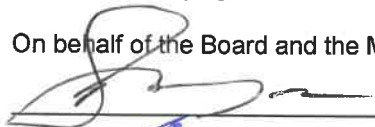
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,045,095	\$ 4,191,089
Current portion of long-term debt (note 4)	570,961	548,468
	<u>4,616,056</u>	<u>4,739,557</u>
Trust fund liabilities	20,757	21,204
Long-term debt (note 4)	9,945,815	10,516,776
Deferred contributions (note 5)	12,200,909	12,947,931
	<u>22,167,481</u>	<u>23,485,911</u>
Net assets (deficiency):		
Invested in capital assets (note 6)	2,400,963	2,406,855
Internally restricted	341,486	341,486
Endowment fund	26,407	26,407
Unrestricted	(191,533)	(403,702)
	<u>2,577,323</u>	<u>2,371,046</u>

Contingencies (note 10)

	<u>\$ 29,360,860</u>	<u>\$ 30,596,514</u>
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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, 2017, with comparative information for 2016

	2017	2016
Revenue:		
Ministry of Health and Long-Term Care	\$ 15,858,991	\$ 15,886,625
Patient revenue	4,125,398	4,239,724
Other	744,601	414,263
Amortization of deferred contributions	798,048	792,447
	<u>21,527,038</u>	<u>21,333,059</u>
Expenses:		
Salaries and wages	12,417,197	11,750,986
Employee benefits	3,802,843	3,766,278
Other supplies and expenses	2,905,467	2,998,827
Amortization of capital assets	1,146,070	1,209,573
Drugs	278,926	285,079
Medical and surgical supplies	309,212	323,629
Interest on long-term debt	434,382	455,544
Medical staff remuneration	26,664	27,185
	<u>21,320,761</u>	<u>20,817,101</u>
Excess of revenue over expenses before the undernoted	206,277	515,958
Donation from estate	-	26,126
Excess of revenue over expenses	<u>\$ 206,277</u>	<u>\$ 542,084</u>

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, 2017, with comparative information for 2016

	Unrestricted	Internally restricted	Endowment fund	Invested in capital assets	2017 Total	2016 Total
Balance (deficiency), beginning of year	\$ (403,702)	\$ 341,486	\$ 26,407	\$ 2,406,855	\$ 2,371,046	\$ 1,828,962
Excess of revenue over expenses (expenses over revenue) (note 6)	554,299	-	-	(348,022)	206,277	542,084
Net change in investment in capital assets (note 6)	(342,130)	-	-	342,130	-	-
Balance (deficiency), end of year	\$ (191,533)	\$ 341,486	\$ 26,407	\$ 2,400,963	\$ 2,577,323	\$ 2,371,046

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, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 206,277	\$ 542,084
Items not involving cash:		
Amortization of capital assets	1,146,070	1,209,573
Amortization of deferred contributions	(798,048)	(792,447)
Change in non-cash operating working capital:		
Accounts receivable	220,734	(124,762)
Inventory	(116)	430
Prepaid expenses	(22,500)	2,706
Accounts payable and accrued liabilities	(145,994)	105,708
	606,423	943,292
Capital activities:		
Purchase of capital assets	(188,662)	(335,111)
Additions to deferred contributions	80,000	29,000
Application of HST rebate to capital assets	315,000	-
	206,338	(306,111)
Financing activities:		
Long-term debt repayments	(548,468)	(526,863)
Increase in cash	264,293	110,318
Cash, beginning of year	3,755,082	3,644,764
Cash, end of year	\$ 4,019,375	\$ 3,755,082

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, 2017

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 (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) 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.

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) 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.

(b) 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, 2017.

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.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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, 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.

(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 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.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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 consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(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 subsequently carry financial instruments at fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations.

(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, 2016.

(i) Multi-employer pension plan:

The Health Centre participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due.

2. Accounts receivable:

	2017	2016
Residents and in-patients	\$ 34,211	\$ 43,759
Other	106,176	317,406
	140,387	361,165
Allowance for doubtful accounts	22,561	22,605
	\$ 117,826	\$ 338,560

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

3. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land and land improvements	\$ 1,488,133	\$ 291,524	\$ 1,196,609	\$ 1,185,946
Buildings	27,244,609	5,931,116	21,313,493	22,195,689
Building service equipment	2,632,225	1,436,232	1,195,993	1,393,986
Furniture and equipment	5,542,662	4,146,303	1,396,359	1,628,215
	<u>\$ 36,907,629</u>	<u>\$ 11,805,175</u>	<u>\$ 25,102,454</u>	<u>\$ 26,403,836</u>

Cost and accumulated amortization of capital assets at March 31, 2016 amounted to \$37,144,870 and \$10,741,034, respectively.

4. Long-term debt:

Long-term debt consists of:

	2017	2016
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	\$ 10,516,776	\$ 11,065,244
Current portion of long-term debt	570,961	548,468
	<u>\$ 9,945,815</u>	<u>\$ 10,516,776</u>

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

2018	\$ 570,961
2019	594,378
2020	618,754
2021	644,131
2022	670,548
Thereafter	7,418,004
	<u>\$ 10,516,776</u>

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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 consolidated statement of operations.

	2017	2016
Balance, beginning of year	\$ 12,947,931	\$ 13,711,378
Deferred contributions received during the year	80,000	29,000
Disposal of contributed capital asset	(28,974)	-
Amortization of deferred contributions	(798,048)	(792,447)
Balance, end of year	\$ 12,200,909	\$ 12,947,931

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

	2017	2016
Unamortized deferred contributions used to purchase assets	\$ 12,184,715	\$ 12,931,737
Unspent contributions	16,194	16,194
Balance, end of year	\$ 12,200,909	\$ 12,947,931

6. Investment in capital assets:

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

	2017	2016
Capital assets	\$ 25,102,454	\$ 26,403,836
Amounts financed by:		
Long-term debt	(10,516,776)	(11,065,244)
Deferred contributions	(12,184,715)	(12,931,737)
	\$ 2,400,963	\$ 2,406,855

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

6. Investment in capital assets:

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

	2017	2016
Deficiency of revenue over expenses		
Amortization of deferred contributions	\$ 798,048	\$ 792,447
Amortization of capital assets	(1,146,070)	(1,209,573)
	<u>\$ (348,022)</u>	<u>\$ (417,126)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 188,662	\$ 335,111
Amounts funded by deferred contributions	(80,000)	(37,806)
Repayments of long-term debt	548,468	526,863
HST rebate applied to capital assets	(315,000)	-
	<u>\$ 342,130</u>	<u>\$ 824,168</u>

7. Related party transactions:

The Health Centre provided management services in the amount of \$Nil (2016 - \$50,917) 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.

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 \$80,000 (2016 - \$25,000) from the Fund for capital purchases. The amount of \$Nil (2016 - \$ Nil) was receivable from the Fund at March 31, 2017.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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 \$909,619 (2016 - \$853,596) and are included in the employee benefits in the consolidated statement of operations.

10. Contingencies:

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, 2017, 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.

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, 2017 is the carrying value of these assets.

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 consolidated statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the consolidated statement of operations. The balance of the allowance for doubtful accounts at March 31, 2017 is \$22,561 (2016 - \$22,605).

As at March 31, 2017, \$10,270 (2016 - \$5,494) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2016.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2017

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

(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 2016.

(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.

(d) 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 interest rate risk through its interest bearing debenture payable.

There has been no change to the interest rate risk exposure from 2016.

12. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.