

Consolidated Financial Statements of

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

Year ended March 31, 2016

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Financial Statements

Year ended March 31, 2016

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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, 2016, 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, 2016, 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

June 8, 2016

Kingston, Canada

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO


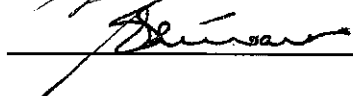
Consolidated Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 3,755,082	\$ 3,644,764
Accounts receivable (note 2)	338,560	213,798
Inventory	596	1,026
Prepaid expenses	77,236	79,942
	<u>4,171,474</u>	<u>3,939,530</u>
Trust fund assets	21,204	30,116
Capital assets (note 3)	26,403,836	27,278,298
	<u>\$ 30,596,514</u>	<u>\$ 31,247,944</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,191,089	\$ 4,085,381
Current portion of long-term debt (note 4)	548,468	526,863
	<u>4,739,557</u>	<u>4,612,244</u>
Trust fund liabilities	21,204	30,116
Long-term debt (note 4)	10,516,776	11,065,244
Deferred contributions (note 5)	12,947,931	13,711,378
	<u>23,485,911</u>	<u>24,806,738</u>
Net assets:		
Invested in capital assets (note 6)	2,406,855	1,999,813
Internally restricted	341,486	215,360
Endowment fund	26,407	26,407
Unrestricted	(403,702)	(412,618)
	<u>2,371,046</u>	<u>1,828,962</u>
Contingencies (note 10)		
	<u>\$ 30,596,514</u>	<u>\$ 31,247,944</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, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Ministry of Health and Long-Term Care	\$ 15,886,625	\$ 15,375,268
Patient revenue	4,239,724	3,900,447
Other	414,263	442,508
Amortization of deferred contributions	792,447	820,021
	21,333,059	20,538,244
Expenses:		
Salaries and wages	11,871,986	11,466,924
Employee benefits	3,766,278	3,637,583
Other supplies and expenses	2,877,827	2,732,982
Amortization of capital assets	1,209,573	1,220,505
Drugs	285,079	256,533
Medical and surgical supplies	323,629	325,732
Interest on long-term debt	455,544	476,688
Medical staff remuneration	27,185	26,674
	20,817,101	20,143,621
Excess of revenue over expenses before the undernoted	515,958	394,623
Donation from estate	26,126	-
Excess of revenue over expenses	\$ 542,084	\$ 394,623

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, 2016, with comparative information for 2015

	Unrestricted	Internally restricted	Endowment fund	Invested in capital assets	2016 Total	2015 Total
Balance, beginning of year	\$ (412,618)	\$ 215,360	\$ 26,407	\$ 1,999,813	\$ 1,828,962	\$ 1,434,339
Excess of revenue over expenses (expenses over revenue) (note 6)	959,210	-	-	(417,126)	542,084	394,623
Interfund transfers	(126,126)	126,126	-	-	-	-
Net change in investment in capital assets (note 6)	(824,168)	-	-	824,168	-	-
Balance, end of year	\$ (403,702)	\$ 341,486	\$ 26,407	\$ 2,406,855	\$ 2,371,046	\$ 1,828,962

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, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 542,084	\$ 394,623
Items not involving cash:		
Amortization of capital assets	1,209,573	1,220,505
Amortization of deferred contributions	(792,447)	(820,021)
Change in non-cash operating working capital:		
Accounts receivable	(124,762)	1,886
Inventory	430	(474)
Prepaid expenses	2,706	28,390
Accounts payable and accrued liabilities	105,708	(194,080)
	<u>943,292</u>	<u>630,829</u>
Capital activities:		
Purchase of capital assets	(335,111)	(209,836)
Additions to deferred contributions	29,000	60,700
	<u>(306,111)</u>	<u>(149,136)</u>
Financing activities:		
Long-term debt repayments	(526,863)	(506,104)
Increase (decrease) in cash	<u>110,318</u>	<u>(24,411)</u>
Cash, beginning of year	3,644,764	3,669,175
Cash, end of year	<u>\$ 3,755,082</u>	<u>\$ 3,644,764</u>

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, 2016

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) 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, 2016.

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.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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.

(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, 2016

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 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, 2016.

2. Accounts receivable:

	2016	2015
Accounts receivable from:		
Residents and in-patients	\$ 228,754	\$ 77,847
Other	132,411	188,461
	<u>361,165</u>	<u>266,308</u>
Allowance for doubtful accounts	22,605	52,510
	<u>\$ 338,560</u>	<u>\$ 213,798</u>

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

3. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Land and land improvements	\$ 1,443,382	\$ 257,436	\$ 1,185,946	\$ 909,859
Buildings	27,497,146	5,301,457	22,195,689	22,884,464
Building service equipment	2,685,308	1,291,322	1,393,986	1,563,447
Furniture and equipment	5,519,034	3,890,819	1,628,215	1,895,646
Construction-in-progress	–	–	–	24,882
	\$ 37,144,870	\$ 10,741,034	\$ 26,403,836	\$ 27,278,298

Cost and accumulated amortization of capital assets at March 31, 2015 amounted to \$36,809,760 and \$9,531,462, respectively.

4. Long-term debt:

Long-term debt consists of:

	2016	2015
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	\$ 11,065,244	\$ 11,592,107
Current portion of long-term debt	548,468	526,863
	\$ 10,516,776	\$ 11,065,244

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

2017	\$ 548,468
2018	570,961
2019	594,378
2020	618,754
2021	644,131
Thereafter	8,088,552
	\$ 11,065,244

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

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.

	2016	2015
Balance, beginning of year	\$ 13,711,378	\$ 14,470,699
Deferred contributions received during the year	29,000	60,700
Amortization of deferred contributions	(792,447)	(820,021)
Balance, end of year	\$ 12,947,931	\$ 13,711,378

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

	2016	2015
Unamortized deferred contributions used to purchase assets	\$ 12,931,737	\$ 13,686,378
Unspent contributions	16,194	25,000
Balance, end of year	\$ 12,947,931	\$ 13,711,378

6. Investment in capital assets:

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

	2016	2015
Capital assets	\$ 26,403,836	\$ 27,278,298
Amounts financed by:		
Long-term debt	(11,065,244)	(11,592,107)
Deferred contributions	(12,931,737)	(13,686,378)
	\$ 2,406,855	\$ 1,999,813

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

6. Investment in capital assets:

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

	2016	2015
Excess of revenue over expenses		
Amortization of deferred contributions	\$ 792,447	\$ 820,021
Amortization of capital assets	(1,209,573)	(1,220,505)
	<u>\$ (417,126)</u>	<u>\$ (400,484)</u>
Net change in investment in capital assets:		
Purchase of capital assets	\$ 335,111	\$ 209,836
Amounts funded by deferred contributions	(37,806)	(60,700)
Repayments of long-term debt	526,863	506,104
	<u>\$ 824,168</u>	<u>\$ 655,240</u>

7. Related party transactions:

The Health Centre provided management services in the amount of \$50,917 (2015 - \$47,042) 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 \$25,000 (2015 - \$29,000) from the Fund for capital purchases. The amount of \$Nil (2015 - \$33,700) was receivable from the Fund at March 31, 2016.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

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 \$853,596 (2015 - \$812,850) 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, 2016, 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, 2016 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 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, 2016 is \$32,605 (2015 - \$52,510).

As at March 31, 2016, \$5,494 (2015 - \$10,136) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to the credit risk exposure from 2015.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2016

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 2015.

(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 this risk through its interest bearing debenture payable.

There has been no change to the interest rate risk exposure from 2015.