Consolidated Financial Statements of

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Year ended March 31, 2021

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

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KPMG LLP
863 Princess Street, Suite 400
Kingston ON K7L 5N4
Canada
Telephone 613-549-1550
Fax 613-549-6349

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of The Religious Hospitallers of St. Joseph of Cornwall, Ontario (the "Entity"), which comprise:

- the consolidated statement of financial position as at March 31, 2021
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes in net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Entity as at March 31, 2021, and its consolidated results of operations, its consolidated cash flows, and the consolidated remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 2, 2021

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	$ 3,299,280	$ 2,556,653
Accounts receivable (note 2)	735,765	154,081
Inventory		626
Prepaid expenses	78,353	88,615
	4,113,398	2,799,975
Trust fund assets	22,068	22,010
Capital assets (note 3)	21,750,877	22,456,170
	$ 25,886,343	$ 25,278,155
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,365,971	$ 2,513,987
Current portion of long-term debt (note 4)	678,117	644,131
	4,044,088	3,158,118
Trust fund liabilities	22,068	22,010
Long-term debt (note 4)	7,595,438	8,088,555
Deferred contributions (note 5)	9,446,995	10,013,808
	17,064,501	21,282,491
Net assets (deficiency):		
Invested in capital assets (note 6)	4,128,078	3,718,389
Internally restricted	630,486	522,486
Endowment fund	26,407	26,407
Unrestricted	(7,217)	(271,618)
	4,777,754	3,995,664
Contingencies and commitments (note 10)		
	$ 25,886,343	$ 25,278,155

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, 2021, with comparative information for 2020

	2021	2020
Revenue:		
Ministry of Health	$ 19,314,003	$ 16,847,794
Patient revenue	3,789,476	3,909,702
Amortization of deferred contributions	679,549	766,896
Other	624,904	492,038
	24,407,932	22,016,430
Expenses:		
Salaries and wages	14,226,561	12,597,726
Employee benefits	4,073,835	3,706,092
Other supplies and expenses	3,467,211	3,209,133
Amortization of capital assets	1,000,138	1,036,967
Interest on long-term debt	337,758	360,996
Drugs	219,276	270,472
Medical and surgical supplies	274,389	248,779
Medical staff remuneration	26,674	26,674
	23,625,842	21,456,839
Excess of revenue over expenses	$ 782,090	$ 559,591

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, 2021, with comparative information for 2020

	Unrestricted	Internally restricted	Endowment fund	Invested in capital assets	2021 Total	2020 Total
Balance (deficiency), beginning of year	$ (271,618)	$ 522,486	$ 26,407	$ 3,718,389	$ 3,995,664	$ 3,436,073
Excess of revenue over expenses (expenses over revenue) (note 6(b))	1,102,679	–	–	(320,589)	782,090	559,591
Net change in investment in capital assets (note 6(b))	(730,278)	–	–	730,278	–	–
Interfund transfers	(108,000)	108,000	–	–	–	–
Balance (deficiency), end of year	$ (7,217)	$ 630,486	$ 26,407	$ 4,128,078	$ 4,777,754	$ 3,995,664

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, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 782,090	$ 559,591
Items not involving cash:		
Amortization of capital assets	1,000,138	1,036,967
Amortization of deferred contributions	(679,549)	(766,896)
Loss on disposal of capital assets	–	5,811
Change in non-cash operating working capital:		
Accounts receivable	(581,684)	(33,786)
Inventory	626	74
Prepaid expenses	10,262	21,365
Accounts payable and accrued liabilities	851,984	182,606
	1,383,867	1,005,732
Capital activities:		
Purchase of capital assets	(294,845)	(70,840)
Additions to deferred contributions	112,736	28,000
	(182,109)	(42,840)
Financing activities:		
Long-term debt repayments	(644,131)	(618,754)
Proceeds from long-term debt	185,000	–
	(459,131)	(618,754)
Increase in cash	742,627	344,138
Cash, beginning of year	2,556,653	2,212,515
Cash, end of year	$ 3,299,280	$ 2,556,653

See accompanying notes to consolidated financial statements.

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. All intercompany accounts and transactions are eliminated in consolidation.

(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 of Health with respect to the year ended March 31, 2021.

1. Significant accounting policies (continued):

(b) Revenue recognition (continued):

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, 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.

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. Significant estimates include the carrying value of capital assets. 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.

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, 2021.

(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 plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2020 disclosed actuarial assets of $103,983 million with accrued pension liabilities of $79,852 million, resulting in a surplus of $24,131 million. This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2020 based on the assumptions and methods adopted for the valuation.

2. Accounts receivable:

	2021	2020
Residents and in-patients	$ 27,945	$ 12,134
Receivable from the Ministry of Health – working funds initiative	322,300	–
Other	398,720	149,125
	748,965	161,259
Less: allowance for doubtful accounts	13,200	7,178
	$ 735,765	$ 154,081

Included in accounts payable and accrued liabilities on the Consolidated Statement of Financial Position is an amount equal to the working funds initiative of $322,300. Funding related to the working capital initiative is subject to review and reconciliation by the Ministry with any adjustments reflected in the financial statements of the Health Centre in the year of settlement.

3. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land and land improvements	$ 1,493,367	$ 397,501	$ 1,095,866	$ 1,119,456
Buildings	27,529,411	8,664,449	18,864,962	19,295,938
Building service equipment	2,663,974	1,936,680	727,294	822,656
Furniture and equipment	6,119,142	5,056,387	1,062,755	1,218,120
	$ 37,805,894	$ 16,055,017	$ 21,750,877	$ 22,456,170

Cost and accumulated amortization of capital assets at March 31, 2020 amounted to $37,515,251 and $15,059,081, respectively.

4. Long-term debt:

Long-term debt consists of:

	2021	2020
Debenture payable, Ontario Infrastructure Projects Corporation, unsecured, annual interest rate 4.06%, repayable in blended semi-annual payments of $496,103, maturity date October 16, 2030	$ 8,088,555	$ 8,732,686
Mortgage payable, annual interest rate of 2.24%, repayable in blended monthly payments of $812, maturity date November 30, 2045	185,000	–
	8,273,555	8,732,686
Current portion of long-term debt	678,117	644,131
	$ 7,595,438	$ 8,088,555

4. Long-term debt (continued):

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

	Mortgage	Debenture	Total
2022	$ 7,569	$ 670,548	$ 678,117
2023	5,828	698,048	703,876
2024	5,960	726,677	732,637
2025	6,094	756,479	762,573
2026	6,232	787,504	793,736
Thereafter	153,317	4,449,299	4,602,616
	$ 185,000	$ 8,088,555	$ 8,273,555

The mortgage is secured by a general security agreement over the building with a net book value of $263,390.

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.

	2021	2020
Balance, beginning of year	$ 10,013,808	$ 10,752,704
Deferred contributions received during the year	112,736	28,000
Amortization of deferred contributions	(679,549)	(766,896)
Balance, end of year	$ 9,446,995	$ 10,013,808

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

	2021	2020
Unamortized deferred contributions used to purchase assets	$ 9,349,244	$ 10,005,095
Unspent contributions	97,751	8,713
Balance, end of year	$ 9,446,995	$ 10,013,808

6. Investment in capital assets:

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

	2021	2020
Capital assets	$ 21,750,877	$ 22,456,170
Amounts financed by:		
Long-term debt	(8,273,555)	(8,732,686)
Deferred contributions	(9,349,244)	(10,005,095)
	$ 4,128,078	$ 3,718,389

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

	2021	2020
Deficiency of revenue over expenses		
Amortization of deferred contributions	$ 679,549	$ 766,896
Amortization of capital assets	(1,000,138)	(1,036,967)
Loss on disposal of capital assets	–	(5,811)
	$ (320,589)	$ (275,882)
Net change in investment in capital assets:		
Purchase of capital assets	$ 294,845	$ 70,840
Amounts funded by deferred contributions	(23,698)	(52,327)
Repayments of long-term debt	644,131	618,754
Amounts funded by long-term debt	(185,000)	–
	$ 730,278	$ 637,267

7. Related party transactions:

The Health Centre provided management services in the amount of $40,500 (2020 - $Nil) 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 $20,000 (2020 - $26,000) from the Fund to support capital purchases, of which $20,000 (2020 - $Nil) is unspent as at March 31, 2021.

9. Pension plan:

Substantially all of the full-time employees of the Health Centre are members of the Healthcare of Ontario Pension Plan (the “Plan”), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Contributions to the Plan made during the year by the Health Centre on behalf of its employees amounted to $957,111 (2020 - $922,961) and are included in the employee benefits in the consolidated statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan’s 2020 Annual Report indicates the plan is fully funded at 119%.

10. Contingencies and commitments:

(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, 2021, 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) On September 28, 2020, the Health Centre entered into an agreement of purchase and sale in the amount of $230,000 for the purchase of a property in Cornwall, Ontario. The closing date of this purchase is September 11, 2021.

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, 2021 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.

There have been no significant changes to the credit risk exposure from 2020.

(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.

There have been no significant changes to the liquidity risk exposure from 2020.

(c) 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 and mortgage payable that are repayable at a fixed rate of interest.

There has been no change to the interest rate risk exposure from 2020.

12. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of the approval of these financial statements, the Health Centre has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Restrictions on the number of visitors entering the Health Centre based on public health recommendations
- Increased costs associated with staff, patient and visitor screening
- Increased costs associated with the purchase of materials and supplies
- Decreased revenue generated through ancillary revenue streams

During the year, the Health Centre received funding from the Ministry in the form of COVID-19 relief:

- pandemic pay
- temporary wage enhancement
- security
- prevention and containment, and
- incremental operating costs

The total COVID-19 relief funding amounted to $2,270,392. The Health Centre has recognized $2,162,667 as Ministry of Health revenue on the Statement of Operations, with the remainder of $107,725 included in accounts payable and accrued liabilities on the Statement of Financial Position.

Funding related to COVID-19 is subject to review and reconciliation by the Ministry with any adjustments reflected in the financial statements of the Health Centre in the year of settlement.

The Health Centre continues to respond to the pandemic and plan for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Health Centre has access to sufficient financial resources to sustain operations in the coming year. The outcome and timeframe to a recovery form the current pandemic is highly unpredictable, thus it is not practicable to estimate tan disclose its financial effect on future operations at this time.