

Financial Statements of

**FRED DOUGLAS PERSONAL  
CARE HOME,**

A DIVISION OF FRED DOUGLAS SOCIETY INC.

And Independent Auditors' Report thereon

Year ended March 31, 2020



KPMG LLP  
One Lombard Place  
Suite 2000  
Winnipeg MB  
R3B 0X3

Telephone (204) 957-1770  
Fax (204) 957-0808  
www.kpmg.ca

Page 1

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Fred Douglas Society Inc.

### **Opinion**

We have audited the financial statements of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the "Entity"), which comprise the statement of financial position as at March 31, 2020, the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations and its cash flows 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 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 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 Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represents 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.

*KPMG LLP*

Chartered Professional Accountants

Winnipeg, Canada

June 17, 2020

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

## Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 285,104	\$ 534,347
Accounts receivable (note 3)	605,476	574,537
Inventories and prepaid expenses	21,093	41,684
Employee benefits recoverable from Winnipeg Regional Health Authority (note 12[iii])	355,603	355,603
Short-term investments (note 4)	101,098	99,065
Receivable from related entities (note 5)	33,888	21,834
Current portion of long-term receivable from Winnipeg Regional Health Authority (note 6)	—	12,416
	1,402,262	1,639,486
Investments (note 4)	44,322	99,722
Long-term receivable from Winnipeg Regional Health Authority (note 6)	—	171,036
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 12[i])	894,525	947,197
Capital assets (note 7)	3,100,392	3,252,101
	\$ 5,441,501	\$ 6,109,542



# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

## Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
<b>Revenue:</b>		
Winnipeg Regional Health Authority - Operating	\$ 7,316,468	\$ 7,495,785
Winnipeg Regional Health Authority - Adult Day Program	201,118	187,787
Resident charges	2,537,350	2,484,286
Participant charges - Adult Day Program	48,470	60,662
Donations and grants	5,543	7,278
Amortization of deferred contributions (notes 9[c] and 9[e])	235,448	235,289
	<u>10,344,397</u>	<u>10,471,087</u>
<b>Other income:</b>		
Ancillary	1,878	6,068
Investment	4,314	3,996
Cafeteria	51,093	43,155
Other	83,146	32,009
	<u>140,431</u>	<u>85,228</u>
<b>Total revenue</b>	<u>10,484,828</u>	<u>10,556,315</u>
<b>Expenses:</b>		
Operating (schedule)	9,930,057	9,985,499
Adult Day Program	273,410	260,225
Amortization of capital assets	245,981	244,446
	<u>10,449,448</u>	<u>10,490,170</u>
Excess of revenue over expenses before the undernoted	35,380	66,145
Employee future benefits adjustment (note 12)	52,672	207,047
Funding (recovery) for employee future benefits (note 12)	(52,672)	(207,047)
<b>Excess of revenue over expenses</b>	<u>\$ 35,380</u>	<u>\$ 66,145</u>

See accompanying notes to financial statements.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

## Statement of Changes in Net Assets

Year ended March 31, 2020, with comparative information for 2019

	Unrestricted	Invested in capital assets	2020 Total	2019 Total
Net assets, beginning of year	\$ 123,717	\$ 840,106	\$ 963,823	\$ 897,678
Excess (deficiency) of revenue over expenses	51,404	(16,024)	35,380	66,145
Transfer for bank financing payments	(36,141)	36,141	–	–
Transfer of funds related to prior years' capital asset additions	34,605	(34,605)	–	–
Transfer to Fred Douglas Society Inc. (note 11)	(65,000)	–	(65,000)	–
<b>Net assets, end of year</b>	<b>\$ 108,585</b>	<b>\$ 825,618</b>	<b>\$ 934,203</b>	<b>\$ 963,823</b>

See accompanying notes to financial statements.



# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

## Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Operating activities:		
Excess of revenue over expenses	\$ 35,380	\$ 66,145
Items not involving cash:		
Amortization of capital assets	245,981	244,446
Amortization of deferred contributions related to capital assets	(229,956)	(228,421)
Change in non-cash operating working capital:		
Restricted cash	(49,826)	(45,361)
Accounts receivable	(30,939)	68,160
Inventories and prepaid expenses	20,591	(99)
Accounts payable and accrued liabilities	(331,367)	26,860
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	52,839	48,629
	(287,297)	180,359
Capital activities:		
Purchase of capital assets	(94,272)	(27,258)
Deferred contributions received for capital assets and equipment reserves	128,876	62,783
	34,604	35,525
Investing activities:		
Decrease in investments	53,367	230,673
Change in receivable from related entities	(12,054)	12,092
Long-term receivable from Winnipeg Regional Health Authority	183,452	(183,452)
Transfer of unrestricted net assets to Fred Douglas Society Inc.	(65,000)	-
	159,765	59,313
Financing activities:		
Proceeds of long-term loan	-	170,000
Repayment of long-term debt	(206,141)	(34,932)
	(206,141)	135,068
Increase (decrease) in cash	(299,069)	410,265
Cash (bank indebtedness), beginning of year	173,235	(237,030)
Cash (bank indebtedness), end of year (note 2)	\$ (125,834)	\$ 173,235

See accompanying notes to financial statements.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements

Year ended March 31, 2020

---

## General:

Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the "Division") operates a 136-bed personal care home and 90-space adult day program in Winnipeg, Manitoba. Fred Douglas Society Inc. is an outreach ministry of the United Church of Canada.

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including PS4200 standards for government not-for-profit organizations.

#### (a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. (the "Society") (unaudited) have been prepared for distribution to the Board of Directors.

#### (b) Revenue recognition:

The Division follows the deferral method of accounting for contributions, which includes government funding. The Division is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement (SPA). Operating grants are recorded as revenue in the period to which they relate. On April 1, 2019, the Division entered into a new SPA with WRHA which can be terminated on 12 months notice and remains in effect until it is replaced with a new SPA.

In accordance with the terms and conditions of the SPA, the operating surplus the Division may retain is 2 percent of the global budget as provided by the WRHA, in any fiscal year. The remaining operating surplus of the Division in any fiscal year is repayable to the WRHA. Annual operating deficits are the responsibility of the Division.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements

Year ended March 31, 2020

---

## 1. Significant accounting policies (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.

Investment income includes interest income and realized investment gains and losses.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other 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 record any financial instruments at fair value.

Transaction costs, incurred on the acquisition of financial instruments measured subsequently at fair value, are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the effective interest method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Division determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Division expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 1. Significant accounting policies (continued):

### (d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. When a capital asset no longer contributes to the Division's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture and equipment	5 and 10 years

### (e) Employee future benefits:

The cost of the Division's employee future pre-retirement benefits is accrued as earned based on an actuarial estimation. The estimation of future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring the Division's employee future pre-retirement benefits include mortality and withdrawal rates, a discount rate of 2.60 percent (2019 - 3.10 percent), a rate of salary increase of 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2019 - nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter) plus an age-related merit/promotion scale.

Commencing March 31, 2019, the accumulated non-vested sick leave benefits are calculated on an annual basis using an actuarial estimate. In previous years, the accumulated non-vested sick leave benefits were calculated manually utilizing an internally developed valuation method which took into account the average usage of sick days used in excess of the annual sick days earned, average employee service time to date and average employee compensation per day.

### (f) 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 financial statements.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 1. Significant accounting policies (continued):

### (g) Income taxes:

The Society and as such the Division are exempt from tax under Section 149 of the *Income Tax Act*.

### (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and employee future benefits. Actual results could differ from those estimates.

## 2. Cash:

	2020	2019
Cash (bank indebtedness) - unrestricted	\$ (125,834)	\$ 173,235
Restricted cash	410,938	361,112
	<u>\$ 285,104</u>	<u>\$ 534,347</u>

Restricted cash, along with restricted investments disclosed in note 4, represent cash held for deferred contributions related to donations, expenses of future periods, equipment reserve and reserve for major repairs.

The Division has a demand revolving credit facility with a maximum limit of \$500,000 (2019 - \$500,000). The operating credit line bears interest at prime rate plus 1 percent (2019 - prime rate plus 1 percent). The facility is secured by a general security agreement and a first charge collateral mortgage against property of the Society. At March 31, 2020, the Division has utilized \$163,015 of this facility (2019 - nil).

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

### 3. Accounts receivable:

	2020	2019
Accounts receivable	\$ 14,086	\$ 52,814
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	28,368	41,819
CUPE contract increases	204,824	171,198
MNU contract increases	6,438	6,438
Group health benefit funding	107,716	109,201
Resident charges	188,137	135,328
Capital funding	—	4,851
Pension increase funding	20,903	20,903
Other	35,004	31,985
	591,390	521,723
	\$ 605,476	\$ 574,537

The aging of the receivable from Winnipeg Regional Health Authority is as follows:

	2020	2019
2011	\$ 2,580	\$ 2,580
2012	5,002	5,002
2013	4,195	4,195
2014	2,568	2,568
2016	45,626	45,626
2017	137,413	137,413
2018	134,725	139,971
2019	130,337	184,368
2020	128,944	—
	\$ 591,390	\$ 521,723

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 4. Investments:

	2020		2019	
	Average effective yield	Carrying value	Average effective yield	Carrying value
Government investment certificates	1.92%	\$ 99,726	1.82%	\$ 188,363
Money market fund		45,694		10,424
		145,420		198,787
Current portion, shown as short-term investments		(101,098)		(99,065)
		\$ 44,322		\$ 99,722

The government investment certificates mature during fiscal years 2021 and 2022.

The allocation of investments between unrestricted and restricted is as follows:

	2020	2019
Unrestricted investments	\$ 20,066	\$ 76,446
Restricted investments	125,354	122,341
	\$ 145,420	\$ 198,787

## 5. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2020	2019
Fred Douglas Heritage House Inc.	\$ 7,301	\$ 3,969
Fred Douglas Foundation, Inc.	1,609	772
Fred Douglas Apartments	12,277	9,783
Fred Douglas Courts	12,712	7,229
Fred Douglas Society Inc.	(11)	81
	\$ 33,888	\$ 21,834

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 5. Receivable from related entities (continued):

Fred Douglas Heritage House Inc. is an organization controlled by the Society. Fred Douglas Apartments and Fred Douglas Courts are divisions of the Society. Fred Douglas Foundation, Inc. is an organization over which the Society exercises significant influence. The receivable from these entities are non-interest bearing, with no fixed terms of repayment and are unsecured. Subsequent to March 31, 2020, all receivable balances from related entities have been received in full.

## 6. Long-term receivable from Winnipeg Regional Health Authority:

	2020	2019
Long-term loan for elevator upgrades	\$ –	\$ 183,452
Current portion	–	12,416
	<b>\$ –</b>	<b>\$ 171,036</b>

The Division had a long-term receivable from the WRHA relating to elevator upgrades. The long-term receivable was interest bearing at prime plus 1 percent. During the year ended March 31, 2020, the WRHA paid the loan balance in full.

## 7. Capital assets:

	2020		2019	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 17,137	\$ –	\$ 17,137	\$ 17,137
Buildings	9,751,074	7,063,118	2,687,956	2,828,286
Furniture and equipment	2,766,841	2,371,542	395,299	406,678
	<b>\$ 12,535,052</b>	<b>\$ 9,434,660</b>	<b>\$ 3,100,392</b>	<b>\$ 3,252,101</b>



# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 8. Long-term debt:

	2020	2019
3.54% (2019 - 3.44%) mortgage, Assiniboine Credit Union, payable \$3,095 monthly including principal and interest, maturing January 25, 2021	\$ 9,307	\$ 45,448
Assiniboine Credit Union loan, interest bearing at prime plus 1 percent	-	170,000
	9,307	215,448
Current portion of long-term debt	9,307	57,864
	\$ -	\$ 157,584

The Assiniboine Credit Union mortgage is secured as disclosed in note 2 for the demand revolving credit facility.

## 9. Deferred contributions:

### (a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2020	2019
Balance, beginning of year	\$ 14,138	\$ 10,935
Contributions received	7,075	7,641
Amounts recognized as revenue in the year	(1,038)	(4,438)
Balance, end of year	\$ 20,175	\$ 14,138

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 9. Deferred contributions (continued):

### (b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses related to insurance deductibles and claims.

	2020	2019
Balance, beginning of year	\$ 22,002	\$ 20,502
Contributions received	1,500	1,500
Balance, end of year	\$ 23,502	\$ 22,002

### (c) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets.

	2020	2019
Balance, beginning of year	\$ 2,366,547	\$ 2,532,185
Transfer from deferred contributions - equipment reserve	45,335	10,367
Contributions received	83,541	52,416
Amounts amortized to revenue in the year	(229,956)	(228,421)
Balance, end of year	\$ 2,265,467	\$ 2,366,547

### (d) Equipment reserve:

Deferred contributions related to equipment reserve represent unspent contributions for the future purchase of capital assets. When the capital assets are purchased, an equivalent amount is transferred from this reserve to the deferred contributions related to capital assets.

	2020	2019
Balance, beginning of year	\$ 37,734	\$ 37,734
Contributions received	45,335	10,367
Transfer to deferred contributions - capital assets	(45,335)	(10,367)
Balance, end of year	\$ 37,734	\$ 37,734

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 9. Deferred contributions (continued):

(e) Reserve for major repairs:

Deferred contributions related to reserve for major repairs represent restricted funding received for the future purchase of equipment replacement and major repairs.

	2020	2019
Balance, beginning of year	\$ 409,579	\$ 365,653
Contributions received	50,794	50,794
Amounts amortized to revenue in the year	(5,492)	(6,868)
Balance, end of year	\$ 454,881	\$ 409,579

## 10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2020	2019
Capital assets	\$ 3,100,392	\$ 3,252,101
Deferred contributions - capital assets	(2,265,467)	(2,366,547)
Long-term debt	(9,307)	(45,448)
	\$ 825,618	\$ 840,106

## 11. Related party transactions:

During the year, the Division received \$872 (2019 - \$14,091) in funding for improvements and resident services and nil (2019 - \$106) in funding for capital assets from Fred Douglas Foundation, Inc.

During the year, the Division contributed \$65,000 (2019 - nil) of its unrestricted net assets to the Society.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

## 12. Employee future benefits and employee benefits:

(i) Employee future benefits consists of:

	2020	2019
Pre-retirement benefits	\$ 783,888	\$ 817,807
Accumulated non-vested sick leave benefits	83,655	102,408
	<b>\$ 867,543</b>	<b>\$ 920,215</b>

The Division participates in an employee future pre-retirement benefits plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

Information about the Division's pre-retirement benefits plan is as follows:

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	\$ 817,807	\$ 786,247
Current benefit cost	52,111	55,112
Interest	21,839	25,192
Amortized actuarial gain	(10,739)	(12,047)
Benefits paid	(97,130)	(36,697)
Liability for benefits	<b>\$ 783,888</b>	<b>\$ 817,807</b>

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement obligation at March 31, 2005, and was recorded as a long-term receivable on the statement of financial position.

The receivable has been adjusted, based on direction from the WRHA, to include the incremental increases or decreases in the related liability since 2007, which includes an interest component. The decrease in fiscal 2020 was \$33,919 (2019 - increase of \$31,560) and is recorded in the statement of operations. The employee future pre-retirement benefits recoverable from the WRHA at March 31, 2020 aggregates \$810,870 (2019 - \$844,789) and has no specified terms of repayment. Actual funding provided by the WRHA has been 100 percent (2019 - 100 percent) of actual pre-retirement benefits paid during the year.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

---

## 12. Employee future benefits and employee benefits (continued):

The Division provides accumulating sick leave benefits to substantially all of its employees. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Division's accumulated non-vested sick leave benefits include a discount rate of 2.60 percent (2019 - 3.10 percent) and a rate of salary increase of 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2019 - nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter).

A recoverable from the WRHA of \$83,655 (2019 - \$102,408) for the accumulated non-vested sick leave benefits has been recorded in the statement of financial position. The recoverable has been adjusted, based on direction from the WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The decrease recorded in 2020 was \$18,753 (2019 - decrease of \$238,607) and is recorded in the statement of operations.

- (ii) During the year, the Division contributed \$531,362 (2019 - \$548,715) on behalf of its eligible employees who are members of the Healthcare Employees' Pension Plan - Manitoba (HEPP), a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Division is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

The most recent actuarial valuation of the plan as at December 31, 2018, reported the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis, but is required to fund on a going concern basis. A going concern deficiency, if any, will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. On April 1, 2019 employer contribution rates remained at 8.9 percent (2019 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2019 - 10.5 percent) on earnings in excess of YMPE.

- (iii) The cost of the Division's vacation benefits is accrued when the benefits are earned by the employees and is included in accounts payable and accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2020 is \$527,286 (2019 - \$535,282).

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

---

## 12. Employee future benefits and employee benefits (continued):

The funding received in each subsequent fiscal year from the WRHA includes the employee benefits recoverable of \$355,603 as included on the statement of financial position. The employee benefits recoverable from the WRHA is maintained at the value of the vacation benefits liability at March 31, 2004.

## 13. Financial risks:

The Division is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-interest instruments subject the Division to a fair value risk while the floating-rate instruments subject it to a cash flow risk.

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

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Division is exposed to credit risk with respect to accounts receivable, employee benefits recoverable from the WRHA, employee future benefits recoverable from the WRHA and investments.

There has been no change to the above noted risk exposures from 2019.

## 14. Trusts under administration:

At March 31, 2020, the balance of funds held in trust on behalf of the residents who reside at the Division was \$26,278 (2019 - \$22,683).

## 15. Subsequent event:

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 approval of these financial statements, the Division has continued to restrict access to the public which commenced in March 2020 based on public health recommendations as a result of the COVID-19 pandemic.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Notes to Financial Statements (continued)

Year ended March 31, 2020

---

## 15. Subsequent event (continued):

In addition, public health orders have resulted in changes to operational practices and additional costs. There is currently no commitment by the WRHA or the Provincial Government to fund these additional costs.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management completed this assessment and did not identify such adjustments.

The current events and conditions are expected to be temporary, however there is uncertainty around the length of the disruption and impact on future operations. As a result, an estimate of the financial effect of these items on the Division is not practicable at this time.

# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

## Schedule - Operating Expenses

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Nursing services:		
Medical supplies and services	\$ 69,272	\$ 64,594
Resident transportation	30,836	30,719
Incontinence supplies	87,989	83,770
COVID-19 expenditures - salaries, benefits and supplies	11,719	-
Nursing administration	19,167	19,167
	<u>218,983</u>	<u>198,250</u>
Resident services:		
Activities	8,403	11,252
Other	2,124	2,284
	<u>10,527</u>	<u>13,536</u>
General administration:		
Advertising	3	1,197
Audit and professional fees	67,914	77,598
Bad debt	720	-
Bank charges and interest	1,693	2,845
Insurance	7,166	8,850
Data processing and communications	63,642	56,987
Equipment lease and maintenance	19,964	19,881
Meetings and miscellaneous	853	843
Licenses and membership fees	4,397	4,168
Postage and delivery	2,866	1,665
Printing, stationery and office supplies	13,130	11,956
Staff and resident events and appreciation	11,783	6,953
Travel	1,173	1,205
	<u>195,304</u>	<u>194,148</u>
Dietary:		
Food	360,033	334,528
Glassware, cutlery and supplies	28,203	28,988
	<u>388,236</u>	<u>363,516</u>
Laundry:		
Supplies	6,739	4,288
Linen:		
Supplies and service	89,516	82,957
Housekeeping:		
Supplies	53,340	45,728
Carried forward	<u>962,645</u>	<u>902,423</u>



# FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Brought forward	\$ 962,645	\$ 902,423
Physical plant:		
Operations:		
Electricity	111,399	95,540
Natural gas	38,243	48,819
Insurance	46,950	45,475
Taxes	61,070	60,093
Water	72,855	76,378
Maintenance and repairs:		
Buildings and grounds	124,944	325,910
Equipment	46,306	31,432
Other	11,601	11,384
Interest on bank financing	6,932	5,591
	520,300	700,622
Salaries:		
Nursing	5,117,302	5,070,851
Administration	419,990	421,039
Resident services	203,447	211,669
Dietary	582,371	578,151
Support services	517,636	535,752
Employee benefits	1,615,552	1,573,179
Accrued vacation (recovery)	(9,186)	(8,187)
	8,447,112	8,382,454
<b>Total operating expenses</b>	<b>\$ 9,930,057</b>	<b>\$ 9,985,499</b>