



**LIONS HOUSING
CENTRES**

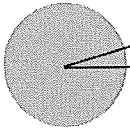
LHC PERSONAL CARE HOME INC.

Financial Statements

March 31, 2020

LHC PERSONAL CARE HOME INC.
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March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of LHC Personal Care Home Inc.

Opinion

We have audited the financial statements of LHC Personal Care Home Inc. (the Organization), which comprise the statement of financial position as at March 31, 2020, and 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization 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 those 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 accounting standards for not-for-profit organizations, 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 these 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:

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Independent Auditor's Report to the Board of Directors of LHC Personal Care Home Inc. *(continued)*

- 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 Organization'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 Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Organization 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.



Chartered Professional Accountants
1515 One Lombard Place
Winnipeg MB R3B 0X3
July 13, 2020

LHC PERSONAL CARE HOME INC.
Statement of Financial Position
March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ 313,852	\$ 796,538
Accounts receivable - residents	33,500	11,586
Accounts receivable - other	8,454	13,177
Prepaid expenses	8,955	5,396
Due from related parties (Note 6)	255,814	19,304
Due from Winnipeg Regional Health Authority (Note 7)	10,087	
Vacation entitlement receivable	138,650	138,650
	<u>769,312</u>	984,651
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (Note 3)	216,553	216,553
CAPITAL ASSETS (Note 4)	6,591,846	6,955,300
RESTRICTED CASH - RESIDENT TRUST	19,204	19,379
RESTRICTED CASH - RESERVE FUND	178,516	212,919
	<u>\$ 7,775,431</u>	<u>\$ 8,388,802</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 71,268	\$ 47,605
Due to related parties (Note 6)	216	56,160
Due to Winnipeg Regional Health Authority		234,314
Accrued vacation, statutory and overtime (Note 7)	421,426	392,592
	<u>492,910</u>	730,671
RESIDENT TRUST PAYABLE	18,478	18,059
ACCRUED PRE-RETIREMENT ENTITLEMENT (Note 3)	237,100	237,100
DEFERRED CONTRIBUTIONS (Note 8)	5,641,809	6,086,302
	<u>6,390,297</u>	7,072,132
NET ASSETS	<u>1,385,134</u>	1,316,670
	<u>\$ 7,775,431</u>	<u>\$ 8,388,802</u>

ON BEHALF OF THE BOARD

Original Document Signed _____ *Director*

Original Document Signed _____ *Director*

LHC PERSONAL CARE HOME INC.
Statement of Operations
Year Ended March 31, 2020

	2020	2019
REVENUES		
Winnipeg Regional Health Authority	\$ 6,122,048	\$ 6,032,096
Resident charges	2,323,876	2,344,022
Other	111,172	74,512
	<u>8,557,096</u>	<u>8,450,630</u>
EXPENDITURES		
Accrued vacation, statutory and overtime	28,835	2,560
Bad debts	5,680	-
Change in pre-retirement entitlement	-	-
Covid-19 incremental costs (<i>Note 12.</i>)	6,327	-
Electricity	175,091	173,124
Health and education levy	113,219	114,561
Insurance	26,163	21,941
Medical remuneration	20,274	19,824
Medical supplies and equipment	173,649	150,031
Natural gas	42,331	38,250
Operational supplies and services	199,927	201,479
Other employee benefits	954,280	962,028
Other nursing expenses	11,588	5,443
Plant maintenance	95,969	103,238
Pre-retirement payout	10,097	32,903
Professional fees	21,612	18,034
Property taxes	85,680	83,760
Purchased meals	1,077,528	1,055,875
Resident travel	5,534	2,844
Salaries	5,293,224	5,342,223
Water and waste	89,245	85,809
Workers Compensation premiums	52,379	53,111
	<u>8,488,632</u>	<u>8,467,038</u>
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER ITEMS	<u>68,464</u>	<u>(16,408)</u>
OTHER ITEMS		
Amortization of capital assets	(371,620)	(372,750)
Amortization of deferred contributions	371,620	372,750
	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 68,464</u>	<u>\$ (16,408)</u>

LHC PERSONAL CARE HOME INC.
Statement of Changes in Net Assets
Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
NET ASSETS - BEGINNING OF YEAR	\$ 1,316,670	\$ 1,333,078
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>68,464</u>	<u>(16,408)</u>
NET ASSETS - END OF YEAR	<u>\$ 1,385,134</u>	<u>\$ 1,316,670</u>

LHC PERSONAL CARE HOME INC.
Statement of Cash Flows
Year Ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 68,464	\$ (16,408)
Items not affecting cash:		
Amortization of capital assets	371,620	372,750
Change in deferred contributions	(444,493)	(360,021)
	<u>(4,409)</u>	<u>(3,679)</u>
Changes in non-cash working capital:		
Accounts receivable	(17,191)	(10,014)
Prepaid expenses	(3,559)	140
Accounts payable and accrued liabilities	23,662	(4,797)
Accrued vacation, statutory and overtime	28,834	2,560
Pre-retirement entitlement receivable	-	(9,644)
	<u>31,746</u>	<u>(21,755)</u>
Cash flow from (used by) operating activities	<u>27,337</u>	<u>(25,434)</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(8,167)</u>	<u>(22,466)</u>
FINANCING ACTIVITIES		
Advances to related parties	(292,452)	(300,128)
Advances from (repayments to) Winnipeg Regional Health Authority	(244,401)	54,779
Increase in resident trust payable	419	2,757
Decrease in restricted funds	34,578	(9,520)
Increase in accrued pre-retirement entitlement payable	-	9,644
	<u>(501,856)</u>	<u>(242,468)</u>
Cash flow used by financing activities	<u>(501,856)</u>	<u>(242,468)</u>
DECREASE IN CASH FLOW	(482,686)	(290,368)
CASH - BEGINNING OF YEAR	<u>796,538</u>	<u>1,086,906</u>
CASH - END OF YEAR	<u>\$ 313,852</u>	<u>\$ 796,538</u>

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2020

1. ENTITY DEFINITION

LHC Personal Care Home Inc. ("Organization") is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The Organization is principally involved in providing licensed personal care services to 116 residents, operating under a services purchase agreement with the Winnipeg Regional Health Authority ("WRHA"). As the entity is a not-for-profit organization, it is exempt from income taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. There has been no change in this risk assessment from the prior year.

The Organization's financial instruments consist of cash, accounts receivable, due to/from related parties, vacation entitlement receivable, pre-retirement entitlement receivable, accounts payable and accrued liabilities, resident trust payable, accrued vacation payable, due to/from WRHA, and accrued pre-retirement entitlement.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs and replacement of furniture and equipment are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its net realizable value.

Capital assets are amortized over their estimated useful lives at the following rates and methods:

Land improvements	10%	straight-line method
Buildings	2.5%	straight-line method
Computer hardware and software	33%	straight-line method
Furniture, fixtures and equipment	10%	straight-line method

The Organization regularly reviews its capital assets to eliminate obsolete items.

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LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

LHC Personal Care Home Inc. follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Organization is funded primarily by the WRHA in accordance with budget arrangements established by the Province of Manitoba. 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 is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2020.

With respect to actual operating results, certain adjustments to funding may be made by the WRHA after completion of their review of the Organization's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

1. Deficits - The WRHA shall not be responsible for past or future deficits of the Organization providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by the Organization other than those set forth in the service purchase agreement.

2. Surpluses - The Organization may unconditionally retain the greater of 50% of its insured services supplied in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions and pledges 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 expenditures are recognized. Contributions and pledges restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributed services

The operations of the Organization depend on the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and is therefore not reflected in these financial statements.

Employee future benefits

Substantially all of the employees of the Organization are members of a defined benefit pension plan as described in note 10. As it is a multi-employer plan, insufficient information is available to account for the plan using defined benefit plan accounting standards. Therefore, the plan is accounted for using defined contribution plan accounting standards.

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LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WRHA

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the benefits recoverable and payable are classified as long-term debt whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations is capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The Province of Manitoba has guaranteed to the WRHA, and through it to the Organization, the outstanding receivable as at March 31, 2004, which will be paid when required. Any change in the liability amount will be reflected as a current year expenditure on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. The accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

4. CAPITAL ASSETS

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 189,282	\$ -	\$ 189,282	\$ -
Land improvements	17,289	17,289	17,289	17,289
Buildings	12,332,933	6,161,647	12,324,767	5,853,491
Computer hardware and software	-	-	155,134	155,134
Furniture, fixtures and equipment	1,697,673	1,466,395	1,697,673	1,402,931
	\$ 14,237,177	\$ 7,645,331	\$ 14,384,145	\$ 7,428,845
Net book value	\$ 6,591,846		\$ 6,955,300	

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2020

5. BANK INDEBTEDNESS

The Organization has a revolving line of credit with a maximum limit of \$550,000. The loan is secured by a general security agreement on all of the Organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand. As at March 31, 2020 amounts advanced under this line of credit were nil (2019 - nil).

6. RELATED PARTIES

Lions Club of Winnipeg Senior Citizens Home ("Lions Manor") is the sponsor of the project. The capital assets, long-term debt and deferred contributions related to capital assets that were transferred from the sponsor at cost. The sponsor has an integral role in LHC Personal Care Home Inc. operations by providing support for administration, maintenance, dietary and other services. Dietary meal costs are charged based on a rate per residential meal day.

The identified related parties are governed by a common Board of Directors.

The following is a summary of the Organization's related party transactions:

	2020	2019
<u>Related party transactions</u>		
Lions Manor		
Dietary meal costs	\$ 1,077,528	\$ 1,055,875

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.

Due from (to) related parties

Lions Manor	\$ 255,813	\$ (56,159)
Lions Place	<u>(216)</u>	<u>19,304</u>
	\$ 255,597	\$ (36,855)

Amounts due from (to) related parties are unsecured, non-interest bearing, and are due on demand.

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2020

7. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

	<u>2020</u>	<u>2019</u>
Bridge funding	\$ (300,000)	\$ (300,000)
0.25 % Funding reduction	(20,375)	(20,375)
Bariatric shower commode	-	4,150
Education reimbursement	275	550
Health spending account	58,505	78,859
Maxi 500 2pt loop power base	-	4,252
Maternity leave top up	7,091	7,091
Medical director fee increase	264	264
Non-union D&R funding increase	-	9,000
Pre-retirement payout	10,097	39,779
Quadrant payroll software	-	28,869
Recoverable surplus	-	(55,642)
Sit to stand trainer/bariatric sling	-	5,624
Residential charges	254,231	(61,215)
Thera act/passive exerciser	-	8,579
Washer/Labour	-	15,901
	<u>\$ 10,088</u>	<u>\$ (234,314)</u>

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2020

8. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations at rates equivalent to the amortization of the related capital asset.

	2020	2019
<u>Deferred contributions</u>		
Balance - beginning of year	\$ 5,870,906	\$ 6,243,656
Purchases	(20,153)	-
Less: amounts amortized to revenue	(371,620)	(372,750)
Balance - end of year	5,479,133	5,870,906

Unspent major repairs funding represents the unspent amount of funding received for building and building service repairs. Major repairs funding is not recorded as revenue in the statement of operations.

<u>Deferred contributions - major repairs</u>		
Balance - beginning of year	112,847	112,847

Unspent equipment funding represents the unspent amount of funding received for the replacement of equipment. Equipment funding is not recorded as revenue in the statement of operations.

<u>Deferred contributions - equipment funding</u>		
Balance - beginning of year	102,549	89,820
Contributions - Winnipeg Regional Health Authority	-	12,729
Purchases	(52,720)	-
Balance - end of year	49,829	102,549
Total deferred contributions balance	\$ 5,641,809	\$ 6,086,302

9. CONTINGENCIES

The nature of the health care industry is such that there may be litigation pending or in process at any time. As at March 31, 2020, no litigation is in process. With respect to potential claims at March 31, 2020, management believes that the Organization has valid defences 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 Organization's financial position.

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2020

10. PENSION PLAN

Substantially all of the employees of the Organization are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five of the last ten years of earnings prior to retirement, termination or death.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent available audited financial statements of the Plan as at December 31, 2017, indicates the Plan is in a surplus position. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to \$418,320 (2019 - \$428,267) and are included in the consolidated statement of operations.

11. ECONOMIC DEPENDENCE

The Organization is economically dependent upon the Province of Manitoba for funding its operations.

12. SUBSEQUENT EVENT

Subsequent to year end, the corona virus (COVID-19) has created considerable uncertainty in business and in markets around the globe. The World Health Organization declared the situation a pandemic on March 11, 2020. As a result of the COVID-19 outbreak, the Organization has experienced increased costs to safeguard its staff and residents. These additional expenses amounted to \$6,327 as of March 31, 2020 and are included in the Covid-19 Incremental Costs expense in the Statement of Operations. While the disruption caused by COVID-19 is expected to be temporary, there is considerable uncertainty around the duration of the disruption and as a result the Organization expects this matter to increase its operating costs and negatively affect its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
