

Financial Statements of

PRAIRIE VIEW LODGE

March 31, 2020

Independent Auditor's Report

To the Board of Directors of Prairie View Lodge

Opinion

We have audited the financial statements of Prairie View Lodge (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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Prairie View Lodge 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 ASNPO, 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 related 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 GAAS 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 GAAS, 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 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.

Deloitte LLP

Chartered Professional Accountants

July 2, 2020
Winnipeg, Manitoba

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PRAIRIE VIEW LODGE
Statement of Financial Position
March 31, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT		
Cash	\$ 164,213	\$ 96,417
Investments	81,925	79,903
Accounts receivable (Note 3)	7,079	16,406
	<u>253,217</u>	<u>192,726</u>
CAPITAL ASSETS (Note 4)	1,805,770	1,873,650
OTHER ASSETS	188	188
	<u>\$ 2,059,175</u>	<u>\$ 2,066,564</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 61,417	\$ 24,459
Due to Southern Health-Santé Sud (Note 5)	24,413	27,289
Current portion of mortgage payable (Note 6)	5,556	5,143
	<u>91,386</u>	<u>56,891</u>
MORTGAGE PAYABLE (Note 6)	7,174	12,808
DEFERRED CONTRIBUTIONS - EXPENSE OF FUTURE PERIODS (Note 7)	18,386	17,486
DEFERRED CONTRIBUTIONS - RELATED TO CAPITAL ASSETS (Note 7)	1,779,718	1,843,428
	<u>1,896,664</u>	<u>1,930,613</u>
CONTINGENCIES (Note 11)		
NET ASSETS		
Invested in capital assets (Note 8)	13,510	12,459
Internally restricted	630	630
Reserve fund (Note 9)	124,559	125,093
Unrestricted	23,812	(2,231)
	<u>162,511</u>	<u>135,951</u>
	<u>\$ 2,059,175</u>	<u>\$ 2,066,564</u>

APPROVED BY THE DIRECTORS

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PRAIRIE VIEW LODGE
Statement of Operations
For the year ended March 31, 2020

	<u>2020</u>	<u>2019</u>
REVENUES		
Southern Health-Santé Sud (Note 10)	\$ 937,171	\$ 920,250
Residential charges	548,123	538,268
Ancillary operations (Note 11)	104,181	103,930
Amortization of deferred contributions - capital assets	63,710	63,710
Other income	4,891	891
	<u>1,658,076</u>	<u>1,627,049</u>
EXPENSES		
Long term care (Schedule 1)	1,445,470	1,454,450
Ancillary operations (Schedule 2)	104,804	82,486
Amortization	63,710	63,710
Pharmacy capitation	17,532	17,532
	<u>1,631,516</u>	<u>1,618,178</u>
EXCESS OF REVENUE OVER EXPENSES	\$ 26,560	\$ 8,871

PRAIRIE VIEW LODGE
Statement of Changes in Net Assets
For the year ended March 31, 2020

	2020			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	\$ 12,459	\$ 630	\$ (2,231)	\$ 125,093
Excess (deficiency) of revenue over expenses	(4,170)	-	30,730	-
Reserve for Major Repairs (Note 9)	-	-	534	(534)
Transfer	5,221	-	(5,221)	-
Balance, end of year	\$ 13,510	\$ 630	\$ 23,812	\$ 124,559
				\$ 135,951

	2019			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	\$ 12,014	\$ 630	\$ (5,537)	\$ 119,973
Excess (deficiency) of revenues over expenses	(4,395)	-	13,266	-
Reserve for Major Repairs (Note 9)	-	-	(5,120)	5,120
Transfer	4,840	-	(4,840)	-
Balance, end of year	\$ 12,459	\$ 630	\$ (2,231)	\$ 125,093
				\$ 135,951

PRAIRIE VIEW LODGE
Statement of Cash Flows
For the Year Ended March 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 26,560	\$ 8,871
Items not affecting cash:		
Amortization	67,880	68,105
Amortization of deferred contributions - capital assets	(63,710)	(63,710)
	<u>30,730</u>	<u>13,266</u>
Changes in non-cash operating working capital items:		
Accounts receivable	9,327	11,046
Accounts payable and accrued liabilities	36,958	(7,859)
Due to Southern Health-Santé Sud	(2,876)	(1,480)
	<u>74,139</u>	<u>14,973</u>
FINANCING ACTIVITIES		
Deferred contributions received - expense of future periods	900	900
Repayment of mortgage payable	(5,221)	(4,840)
Deferred contributions received - capital assets	-	992,944
	<u>(4,321)</u>	<u>989,004</u>
INVESTING ACTIVITIES		
Purchase of capital assets	-	(992,944)
Cash received from investments	(2,022)	(791)
	<u>(2,022)</u>	<u>(993,735)</u>
INCREASE IN CASH POSITION	67,796	10,242
CASH POSITION, BEGINNING OF YEAR	96,417	86,175
CASH POSITION, END OF YEAR	\$ 164,213	\$ 96,417

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2020

1. NATURE OF BUSINESS

Prairie View Lodge Inc. (the "Lodge") is an incorporated not for profit organization sponsored by the United Church of Canada. The Lodge is principally involved in providing long-term care and related services for residents living within the area under the jurisdiction of the Southern Health–Santé Sud ("SH-SS"), with funding provided by Manitoba Health through SH-SS. As allowed under Bill 49 (Regional Health Authorities Act), the Board of Directors of the Lodge has elected to continue to provide the services to SH-SS under a service purchase contract. The Lodge is a registered charity under the Income Tax Act and accordingly is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue recognition

The Lodge follows the deferral method of accounting for contributions which include donations and government grants. The Lodge is funded primarily by the Province of Manitoba, through SH-SS. Funding is in accordance with budget arrangements established by Manitoba Health, with regional adjustments made by SH-SS. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not yet 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 financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2020.

Revenue derived from ancillary operations and residential charges is recorded in the period to which it relates.

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 incurred. 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.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Southern Health–Santé Sud Funding*

Funding is provided by SH-SS on an expense recovery basis for out of globe expenditures including equipment amortization and employee pre-retirement benefits.

Funding provided by SH-SS for all other eligible operations is provided in accordance with the approved in-globe budget. The Lodge is responsible for any in-globe deficits and may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided by SH-SS for in-globe expenses not initially included in the budget. During the course of an operating period, the Lodge may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded by the Lodge as revenue in the period in which the amount of funding has been confirmed.

c) *Contributed services*

A 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.

d) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair market value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Lodge's ability to provide services, its carrying amount is written down to residual value.

Capital assets are amortized on a straight-line basis following the year of acquisition using the following annual rates:

Hostel and Units - Buildings	2%
Hotels and Units - Equipment	10%
Hostel - Property improvements	10%

Effective April 1, 2019 the Lodge applied *Section 4433: Tangible Capital Assets held by not-for-profit organizations* which includes the requirement to consider the componentization of assets when determining its useful life for the purpose of recording amortization expense. The Lodge has elected to apply the standard on a prospective basis for any new assets put into use after the date of adoption of the new standard.

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

f) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Lodge subsequently measures all its financial assets and financial liabilities at amortized cost.

g) Use of estimates

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of significant estimates relate to the useful life of capital asset and allowance for doubtful accounts. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

3. ACCOUNTS RECEIVABLE

	<u>2020</u>	<u>2019</u>
Trade receivables	\$ 23,239	\$ 16,406
Allowance for doubtful accounts	(16,160)	-
	<u>\$ 7,079</u>	<u>\$ 16,406</u>

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2020

4. CAPITAL ASSETS

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Hostel Land	\$ 1,100	\$ -	\$ 1,100	\$ 1,100
Hostel buildings	1,871,720	274,526	1,597,194	1,631,362
Hostel equipment	446,132	315,316	130,816	160,358
Hostel property improvements	3,444	3,444	-	-
Units buildings	278,407	206,873	71,534	75,321
Units equipment	8,811	5,735	3,076	3,459
Units land	2,050	-	2,050	2,050
	\$ 2,611,664	\$ 805,484	\$ 1,805,770	\$ 1,873,650

5. DUE TO SOUTHERN HEALTH-SANTÉ SUD

	2020	2019
Balance, beginning of year	\$ 27,289	\$ 28,769
Payment of prior year balance	(27,289)	(28,769)
Current year's estimated out-of-globe amounts	25,618	26,762
Miscellaneous	(1,205)	527
	\$ 24,413	\$ 27,289

6. MORTGAGE PAYABLE

	2020	2019
CMHC loan	\$ 12,730	\$ 17,951
Less: current portion	(5,556)	(5,143)
	\$ 7,174	\$ 12,808

The CMHC loan bears interest at 7.75% and is repayable in monthly blended principal and interest payments of \$534 and matures May 1, 2022.

Principal repayments over the next three years are expected to be as follows:

2021	5,556
2022	6,002
2023	1,172

PRAIRIE VIEW LODGE
Notes to the Financial Statements
 March 31, 2020

7. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations, matched with expenditures incurred with these funds.

	<u>2020</u>	<u>2019</u>
Expenses of future periods - Hostel		
Balance, beginning of year	\$ 17,486	\$ 16,586
Add: additional contributions received	900	900
	<u>\$ 18,386</u>	<u>\$ 17,486</u>

Deferred contributions related to capital assets is as follows:

	<u>2020</u>	<u>2019</u>
Capital Assets – Hostel and Units		
Balance, beginning of year	\$ 1,843,428	\$ 914,194
Add: additional contributions received	-	992,944
Less: amounts amortized to revenue	(63,710)	(63,710)
	<u>\$ 1,779,718</u>	<u>\$ 1,843,428</u>

8. INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	<u>2020</u>	<u>2019</u>
Capital assets	\$ 1,805,770	\$ 1,873,650
Other Assets - organization costs	188	188
Deferred contributions - capital assets	(1,779,718)	(1,843,428)
Mortgage payable	(12,730)	(17,951)
	<u>\$ 13,510</u>	<u>\$ 12,459</u>

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2020

8. INVESTED IN CAPITAL ASSETS (continued)

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

	<u>2020</u>	<u>2019</u>
Amortization of deferred contributions related to capital assets	\$ 63,710	\$ 63,710
Amortization of capital assets	(67,880)	(68,105)
	<u>(4,170)</u>	<u>(4,395)</u>
Purchase of capital assets	-	992,944
Repayment of mortgage payable	5,221	4,840
Deferred contributions – capital assets	-	(992,944)
	<u>5,221</u>	<u>4,840</u>
	<u>\$ 1,051</u>	<u>\$ 445</u>

9. RESERVE FUND

The Lodge is required by CMHC to transfer \$9,000 per year to a reserve fund that is to fund future major repairs of the Lodge's units. As at March 31, 2020 the balance of the reserve fund is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 125,093	\$ 119,973
Add: additional contributions received	9,000	9,000
Less: expenses incurred	(9,534)	(3,880)
	<u>\$ 124,559</u>	<u>\$ 125,093</u>

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2020

10 SOUTHERN HEALTH–SANTÉ SUD REVENUE

SH-SS revenue includes the following:

	<u>2020</u>	<u>2019</u>
Revenue per final budget	\$ 964,590	\$ 944,846
Minor equipment purchase	-	4,158
Amounts recorded as deferred contribution	(900)	(900)
COVID-19 supplies	305	-
Bed grant disclosed in ancillary revenue	(1,596)	(1,596)
	<u>962,399</u>	<u>946,508</u>
Current year's funding adjustment	(25,228)	(26,258)
Revenue for the year	<u>\$ 937,171</u>	<u>\$ 920,250</u>

Amounts recoverable or payable are based on SH-SS funding policies on out of globe budget items for the accounting period. Other adjustments will be recognized as increases or decreases to revenue in the period in which they are received or deemed to be receivable.

11. ANCILLARY OPERATIONS REVENUE

	<u>2020</u>	<u>2019</u>
Units Rental	\$ 102,515	\$ 102,264
Investment income	70	70
Bed grant for units	1,596	1,596
	<u>\$ 104,181</u>	<u>\$ 103,930</u>

12. CONTINGENCIES

The Lodge is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Lodge may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No assessments have been made to March 31, 2019.

PRAIRIE VIEW LODGE
Notes to the Financial Statements
March 31, 2020

13. RELATED ENTITIES

The Lodge has economic interest in the Prairie View Lodge Foundation Inc. ("Foundation"). The Foundation raises funds from the community. The Foundation is incorporated under the Manitoba Corporation Act, is a registered charity under the Income Tax Act and accordingly is exempt from income taxes. According to the Foundation's by-laws, the Foundation's Board of Directors must be comprised of previous and/or current members of the Board of Directors of the Lodge. The resources of the Foundation are to be used for the advancement of medical education, including research, and the improvement of resident care within the Lodge. The financial statements of the Foundation have not been consolidated in these financial statements. Included in accounts payable and accrued liabilities is an amount payable to Prairie View Lodge Foundation of \$34,060 (2019 - \$nil) related to grant money received.

The Rock Lake Health District provides nursing, administration, janitorial, and maintenance services to the Lodge under a shared services agreement. Amounts charged to the Lodge for these services are included as purchased services in the statements of expenses. The amount payable in respect of these transactions was \$nil as at March 31, 2020 (2019 - \$700). Included in accounts payable and accrued liabilities is an amount payable to Rock Lake Health District of \$9,613 (2019 - \$3,102) related to the construction of an Acute Care Unit.

14. CAPITAL MANAGEMENT

The Lodge defines its capital as the amounts included in the Net Asset balances.

The Lodge's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to its residents.

The Lodge sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

15. ECONOMIC DEPENDENCE

The Lodge receives approximately 57% (2019 - 54%) of its total revenue from SH-SS and is economically dependent on SH-SS for its continued operations.

16. RECENT DEVELOPMENTS

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses, including that of Prairie View Lodge. At this time it is not possible for the Lodge to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Lodge's business.

PRAIRIE VIEW LODGE
Statement of Expenses - Long Term Care
For the year ended March 31, 2020

Schedule 1

	<u>2020</u>	<u>2019</u>
EXPENSES		
Administration	\$ 14,001	\$ 13,017
Housekeeping	6,355	6,600
Personal care	52,099	45,011
Physical plant maintenance	29,228	44,444
Physical plant operation	63,896	63,974
Purchased services - nursing	1,276,533	1,276,534
Recreation and activity	3,358	4,870
TOTAL LONG TERM CARE EXPENSES	\$ 1,445,470	\$ 1,454,450

PRAIRIE VIEW LODGE
Statement of Expenses - Ancillary Operations
For the year ended March 31, 2020

Schedule 2

	<u>2020</u>	<u>2019</u>
EXPENSES		
Amortization of capital assets	\$ 4,170	\$ 4,395
Bad debt	16,160	-
Electricity	10,145	9,059
Major repairs	11,953	3,880
Mortgage interest	1,189	1,571
Property taxes	11,043	14,626
Purchased services - administration	8,158	6,942
Purchased services - janitor	9,792	9,792
Purchased services - maintenance	20,900	20,760
Repairs - building and grounds	5,625	6,931
Water	5,669	4,530
TOTAL ANCILLARY EXPENSES	\$ 104,804	\$ 82,486