

Financial Statements of

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Years ended March 31, 2020 and 2019

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

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KPMG LLP
Vaughan Metropolitan Centre
100 New Park Place, Suite 1400
Vaughan ON L4K 0J3
Canada
Tel 905-265-5900
Fax 905-265-6390

INDEPENDENT AUDITORS' REPORT

To The Governing Council of The Salvation Army in Canada

Opinion

We have audited the financial statements of The Salvation Army - Golden West Centennial Lodge (the Entity), which comprise:

- the statements of financial position as at March 31, 2020 and March 31, 2019
- the statements of operations and accumulated surplus (deficit) for the years then ended
- the statements of changes in net debt for the years then ended
- the statements of cash flows for the years 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 March 31, 2019, and its results of operations and its cash flows for the years then ended in accordance with the financial reporting framework in Note 1 to the financial statements.

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.



Emphasis of Matter - Financial Reporting Framework

We draw attention to Note 1 in the financial statements, which describes the financial reporting framework.

The financial statements are prepared to assist the Entity to meet the requirements of the Province of Manitoba.

As a result, the financial statements may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.

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 the financial reporting framework in Note 1 to the financial statements, 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.



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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 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 28, 2020

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Statements of Financial Position

March 31, 2020, March 31, 2019 and April 1, 2018

	March 31, 2020	March 31, 2019	April 1, 2018
Financial Assets			
Cash and cash equivalents (note 3)	\$ 63,502	\$ 105,709	\$ 530,109
Accounts receivable	11,219	24,943	30,761
Receivable from Winnipeg Regional Health Authority	254,566	143,949	21,485
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 4(a))	713,446	674,850	649,912
Employee benefits recoverable from Winnipeg Regional Health Authority (note 4(b))	271,682	271,682	271,682
Deferred grants receivable (note 5)	23,311	162,648	201,038
	<u>1,337,726</u>	<u>1,383,781</u>	<u>1,704,987</u>
Financial Liabilities			
Accounts payable and accrued liabilities (notes 6 and 12)	386,822	337,162	385,001
Accrued vacation payable	528,741	527,325	491,490
Accrued pre-retirement benefits (note 4(a))	752,915	714,319	689,381
Loans payable to THQ (note 7(b))	40,773	266,250	295,804
Mortgage payable (note 7(a))	—	—	99,075
	<u>1,709,251</u>	<u>1,845,056</u>	<u>1,960,751</u>
Net debt	(371,525)	(461,275)	(255,764)
Non-Financial Assets			
Tangible capital assets (note 8)	1,185,661	1,454,862	1,735,414
Prepaid expenses	700	700	700
	<u>1,186,361</u>	<u>1,455,562</u>	<u>1,736,114</u>
Accumulated surplus	\$ 814,836	\$ 994,287	\$ 1,480,350

Economic dependence (note 13)

Contingent liability (note 14)

Subsequent event (note 18)

See accompanying notes to financial statements.

On behalf of the Board:

Original Document Signed _____ Director

Original Document Signed _____ Director

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Statements of Operations and Accumulated Surplus (Deficit)

Years ended March 31, 2020 and 2019

	Budget (Unaudited) (note 16)	Core operations			Total	Capital operations	2020 Total
		Personal care home services	Adult daycare	Other services			
Revenue:							
Winnipeg Regional Health Authority	\$ 5,629,606	\$ 5,768,886	\$ 136,470	\$ —	\$ 5,905,356	\$ 62,352	\$ 5,967,708
Federal government grant	—	13,290	—	—	13,290	—	13,290
Participant fees	—	—	25,000	—	25,000	—	25,000
Residential charges	2,793,082	2,709,423	—	—	2,709,423	—	2,709,423
Dietary services	8,500	8,450	—	—	8,450	—	8,450
Allocation from the Salvation Army (note 12)	275,000	414,512	—	275,000	689,512	—	689,512
Donations	30,000	22,916	—	—	22,916	—	22,916
Other	65,050	51,564	240	236	52,040	(1,054)	50,986
	8,801,238	8,989,041	161,710	275,236	9,425,987	61,298	9,487,285
Expenses:							
Salaries	5,836,211	5,992,033	59,133	—	6,051,166	—	6,051,166
Employee benefits	1,336,407	1,315,368	9,190	—	1,324,558	—	1,324,558
Administration (note 12)	348,114	222,012	2,142	155,511	379,665	—	379,665
Amortization	—	—	—	—	—	297,164	297,164
Contributed services	179,621	2,068	—	83,379	85,447	—	85,447
Interest on loans and mortgage payable (note 7)	16,500	2,583	—	—	2,583	3,685	6,268
Medical supplies	174,000	173,835	—	—	173,835	—	173,835
Operating (note 12)	629,931	824,399	72,454	—	896,853	—	896,853
Physical plant	206,300	373,358	12,600	—	385,958	—	385,958
Pre-retirement leave costs (note 4(a))	—	65,822	—	—	65,822	—	65,822
	8,727,084	8,971,478	155,519	238,890	9,365,887	300,849	9,666,736
Annual surplus (deficit)	<u>\$ 74,154</u>	17,563	6,191	36,346	60,100	(239,551)	(179,451)
Accumulated surplus (deficit), beginning of year		(778,282)	(2,945)	237,458	(543,769)	1,538,056	994,287
Interfund transfers (note 11)		14,120	—	(24,258)	(10,138)	10,138	—
Accumulated surplus (deficit), end of year		\$ (746,599)	\$ 3,246	\$ 249,546	\$ (493,807)	\$ 1,308,643	\$ 814,836

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GOLDEN WEST CENTENNIAL LODGE

Statements of Operations and Accumulated Surplus (Deficit) (continued)

Years ended March 31, 2020 and 2019

	Core operations				Capital operations	2019 Total
	Personal care home services	Adult daycare	Other services	Total		
Revenue:						
Winnipeg Regional Health Authority	\$ 5,744,870	\$ 174,188	\$ –	\$ 5,919,058	\$ 64,484	\$ 5,983,542
Participant fees	–	32,342	–	32,342	–	32,342
Residential charges	2,660,038	–	–	2,660,038	–	2,660,038
Dietary services	10,806	–	–	10,806	–	10,806
Allocation from other Salvation Army entities (note 12)	63,860	–	273,500	337,360	–	337,360
Donations	17,082	–	–	17,082	–	17,082
Other	50,082	255	379	50,716	–	50,716
	8,546,738	206,785	273,879	9,027,402	64,484	9,091,886
Expenses:						
Salaries	5,918,119	79,012	–	5,997,131	–	5,997,131
Employee benefits	1,319,924	13,886	–	1,333,810	–	1,333,810
Administration (note 12)	202,541	1,998	155,511	360,050	–	360,050
Amortization	–	–	–	–	302,862	302,862
Contributed services	81	–	78,754	78,835	–	78,835
Interest on loans and mortgage payable (note 7)	12,893	–	–	12,893	–	12,893
Medical supplies	181,885	–	–	181,885	–	181,885
Operating (note 12)	720,818	105,458	–	826,276	–	826,276
Physical plant	407,731	12,605	–	420,336	–	420,336
Allocation to other Salvation Army entities (note 12)	–	–	850	850	–	850
Pre-retirement leave costs (note 4(a))	63,021	–	–	63,021	–	63,021
	8,827,013	212,959	235,115	9,275,087	302,862	9,577,949
Annual surplus (deficit)	(280,275)	(6,174)	38,764	(247,685)	(238,378)	(486,063)
Accumulated surplus (deficit), beginning of year	(497,953)	3,229	198,694	(296,030)	1,776,380	1,480,350
Interfund transfers (note 11)	(54)	–	–	(54)	54	–
Accumulated surplus (deficit), end of year	\$ (778,282)	\$ (2,945)	\$ 237,458	\$ (543,769)	\$ 1,538,056	\$ 994,287

See accompanying notes to financial statements.

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GOLDEN WEST CENTENNIAL LODGE

Statements of Changes in Net Debt

Years ended March 31, 2020 and 2019

	Budget (Unaudited) (note 16)	2020	2019
Annual surplus (deficit)	\$ 74,154	\$ (179,451)	\$ (486,063)
Acquisition of tangible capital assets	—	(29,017)	(22,310)
Amortization of tangible capital assets	—	297,164	302,862
Loss on disposition of capital asset	—	1,054	—
	—	269,201	280,552
Change in net debt	<u>\$ 74,154</u>	89,750	(205,511)
Net debt, beginning of year		(461,275)	(255,764)
Net debt, end of year		<u>\$ (371,525)</u>	<u>\$ (461,275)</u>

See accompanying notes to financial statements.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Statements of Cash Flows

Years ended March 31, 2020 and 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual deficit	\$ (179,451)	\$ (486,063)
Items not involving cash:		
Amortization of tangible capital assets	297,164	302,862
Loss on disposition of capital asset	1,054	—
	118,767	(183,201)
Change in non-cash operating working capital:		
Accounts receivable	13,724	5,818
Receivable from Winnipeg Regional Health Authority	(110,617)	(122,464)
Accounts payable and accrued liabilities	49,660	(47,839)
Future employee benefits recoverable	(38,596)	(24,938)
Accrued pre-retirement benefits	38,596	24,938
Accrued vacation payable	1,416	35,835
	72,950	(311,851)
Capital activities:		
Tangible capital asset purchases	(29,017)	(22,310)
Financing activities:		
Grants received	139,337	38,390
Repayment of mortgage and loans payable	(225,477)	(189,155)
Increase in loan payable to THQ	—	60,526
	(86,140)	(90,239)
Decrease in cash and cash equivalents	(42,207)	(424,400)
Cash and cash equivalents, beginning of year	105,709	530,109
Cash and cash equivalents, end of year	\$ 63,502	\$ 105,709

See accompanying notes to financial statements.

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GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements

Years ended March 31, 2020 and 2019

The Salvation Army - Golden West Centennial Lodge (the "Ministry Unit"), which is an unincorporated operating unit of The Salvation Army Canada & Bermuda Territory (the "Territory").

The Governing Council of The Salvation Army in Canada ("The Governing Council"), a corporation established by a Special Act of Parliament, is the primary legal entity through which the Territory conducts its operations. The Governing Council holds title to all Salvation Army property, including bank and investment accounts and real estate on behalf of individual operating units.

The Ministry Unit is a registered charitable organization, associated with The Salvation Army Territorial Headquarters ("THQ"), the primary charitable entity of the Territory. The Ministry Unit is a not-for-profit corporation established by the provincial statute and continued by The Salvation Army Golden West Centennial Lodge Incorporation Act (the "Act"). The Ministry Unit operates a long-term care facility and is governed by a board of management appointed by The Governing Council in accordance with the Act. The Ministry Unit operates under the direction of The Salvation Army Prairie Divisional Headquarters ("DHQ"), which is located in Winnipeg, Manitoba and pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and is licensed under the provisions of the Winnipeg Regional Health Authority ("WRHA").

The Salvation Army is an international Christian church. Its message is based on the Bible; its ministry is motivated by love for God and the needs of humanity. The mission of The Salvation Army is to share the love of Jesus Christ, meet human needs and be a transforming influence in the communities of our world.

The Ministry Unit provides long-term care in the community of Winnipeg, Manitoba.

The Ministry Unit, a controlled entity of The Governing Council, has its financial data included in the consolidated financial statements of The Governing Council.

1. Adoption of Public Sector Accounting Standards ("PSAS"):

The Province of Manitoba directed healthcare organizations to change their basis of accounting to Canadian PSAS for the fiscal year beginning April 1, 2019. These are the first financial statements prepared in accordance with PSAS. The special purpose financial statements are prepared to meet the information requirements of The Governing Council and the Province of Manitoba. As a result, the special purpose financial statements may not be suitable for another purpose.

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Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

1. Adoption of Public Sector Accounting Standards ("PSAS") (continued):

As the Ministry Unit is associated with THQ, a not-for-profit organization, its general purpose financial statements would be prepared in accordance with the Chartered Professional Accountants of Canada Handbook - Accounting; accounting standard for not-for-profit organizations ("ASNPO"). The Ministry Unit has not prepared general purpose financial statements.

In accordance with the transitional provisions in PSAS, the Ministry Unit has adopted the changes retrospectively. The transition date is April 1, 2018 and all comparative information provided has been presented by applying PSAS. Reconciliations and descriptions relating to the transition from ASNPO to PSAS are included in note 17.

The most significant changes as a result of adopting this basis of accounting include:

- (a) Deferred contributions - Capital assets are no longer recognized by the Ministry Unit unless very specific criteria are met.
- (b) Contributions receivable may be recognized in certain circumstances where capital expenditures are undertaken on a reimbursement basis. These balances, if any, are included in receivable from Winnipeg Regional Health Authority.
- (c) Funding received to pay down the principal and interest on the debt associated with funded tangible capital assets is recognized as revenue.

2. Significant accounting policies:

- (a) Cash and cash equivalents:

Under the Territory's policies, all ministry units invest surplus funds with THQ rather than with external financial institutions. THQ accounts bear interest at prevailing market rates based on the type of account.

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GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

2. Significant accounting policies (continued):

(b) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. When a tangible capital asset no longer contributes to the Ministry Unit's ability to provide services, its carrying amount is written down to its residual value.

In accordance with the policies established by the Territory, tangible capital assets with a cost exceeding \$5,000 are stated at cost, less accumulated amortization, provided for on a straight-line basis over their estimated useful lives, as follows:

Buildings	40 - 50 years
Building expansion	20 - 30 years
Major equipment	10 years
Nurse call system	30 years
Roof expansion	10 years
Computer hardware and software	3 years

(c) Contributions of materials and services:

Contributions of materials are recognized at fair market value only to the extent that they would normally be purchased and an official receipt for income tax purposes has been issued to the donors. Contributions of services are not recognized in these financial statements.

(d) Revenue recognition:

The Ministry Unit is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the WRHA. Government transfers from WRHA for operating purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions are considered unearned until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer from WRHA is authorized, except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the Ministry Unit.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

2. Significant accounting policies (continued):

Funding received for the acquisition or development of tangible capital asset is recognized as revenue in one of two ways:

- (i) Assets funded by approved debt: revenue is recognized when the debt principal and interest payment funding is received.
- (ii) Assets funded by an allocation of cash: revenue is recognized when the funded asset is purchased or developed.

Unrestricted contributions and grants are recognized as revenue in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recorded as unearned revenue if the terms for their use create a liability. These resources are recognized as revenue as the terms are met.

Allocations from other Salvation Army entities represent an allocation made to the Ministry Unit from DHQ for the operation of programs. The funds are derived mainly from individuals in the community that have contributed to the fundraising efforts of the Territory.

(e) Core and capital operations:

(i) Core operations:

PCH Services and Adult Day Program includes all operating revenue and expenses of the Ministry Unit related to program delivery, including the receipt and use of donations with no external restrictions, other than they used in operations.

(ii) Other services:

The capital deposit reserve represents funds that are restricted for capital purposes and maintenance (i.e., acquisition, repair, maintenance, property taxes, insurance and replacement of capital assets); however, these funds can be withdrawn for operating purposes with the agreement of DHQ, provided the foreseeable capital needs of the Ministry Unit have been met.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

2. Significant accounting policies (continued):

(iii) Capital operations:

Capital revenue includes all revenue or grants received specifically for the purpose of funding tangible capital assets. Capital expenses include the amortization of funded tangible capital asset and any interest associated with debt incurred to finance those externally funded tangible capital assets.

(f) Expenses:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

(g) Employee future benefits:

The Ministry Unit records a provision for future employee benefits including accrued vacation payable and accrued pre-retirement benefits.

The Ministry Unit has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with any of the following conditions:

- (i) have 10 years of service and have reached the age of 55; or
- (ii) qualify for the eighty rule which is calculated by adding the number of years' service to the age of the employee; or
- (iii) retire at or after the age 65; or
- (iv) terminate employment at any time due to permanent disability.

The Ministry Unit has recorded an accrual based on an actuarial valuation that includes employees who qualify at year end and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is partially recoverable from the WRHA (note 4).

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GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

2. Significant accounting policies (continued):

For certain employees, funding for future employee benefits is recoverable from the WRHA as a component of salary costs in the period in which the expenses are made.

Vacation entitlements and pre-retirement entitlements that will be funded by the WRHA have been recorded on the statements of financial position as recoverable from the WRHA.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently measured at cost or amortized cost, unless management has elected to carry the instrument at fair value. The Ministry Unit has not elected to carry any such financial instruments at fair value.

At the end of each reporting period, all financial assets are assessed for impairment. Impairment occurs when there is a significant adverse change and the decline is determined to be other than temporary. The financial asset is written down to the net recoverable value. The amount of the loss is reported in the statements of operations and accumulated surplus (deficit).

There are no items reported in the statements of remeasurement gains and losses, as a result, the statements are not prepared.

(i) Use of estimates:

The preparation of these 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 financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful lives of tangible capital assets and obligations related to employee future benefits. Actual results could differ from those estimates.

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GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

3. Cash and cash equivalents:

Cash and cash equivalents include cash in bank and deposit accounts held with THQ.

Cash and cash equivalents held were as follows:

	March 31, 2020	March 31, 2019	April 1, 2018
Cash	\$ 61,770	\$ 37,356	\$ 464,251
THQ general deposit account	1,161	43,761	41,645
THQ capital deposit account	21	24,042	23,663
Petty cash advances	550	550	550
	<u>\$ 63,502</u>	<u>\$ 105,709</u>	<u>\$ 530,109</u>

Funds held in the general deposit account are available for withdrawal on demand and may be used for the general operating needs of the Ministry Unit.

4. Employee benefits:

(a) Pre-retirement benefits and recoverable:

WRHA has undertaken an actuarial valuation, which includes the Ministry Unit, as of March 31, 2020 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the Ministry Unit's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 2.6% (March 31, 2019 - 3.1%; April 1, 2018 - 3.4%) and a rate of salary increase of 3.5% (March 31, 2019 - 3.5%; April 1, 2018 - 3.5%) plus age related merit/promotion scale and a factor ranging from 0.00% to 2.28% (March 31, 2019 - 0.00% to 2.28%; April 1, 2018 - 0.00% to 2.28%) for disability.

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GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

4. Employee benefits (continued):

The amount of funding which will be provided by the WRHA for future retirement benefits was initially determined based on the future pre-retirement benefits payable at March 31, 2004, and was recorded as amounts recoverable from the WRHA. The recoverable has been adjusted, based on direction from the WRHA, to include the incremental increases in or decreases in the related liability since 2007, which includes an interest component. The future employee pre-retirement benefits recoverable from WRHA of \$713,446 at March 31, 2020 (March 31, 2019 - \$674,850; April 1, 2018 - \$649,912) has no specified terms of repayment.

The fair value of the future employee benefits recoverable from WRHA approximates its carrying value as the interest component described above is comparable to current market rates.

	March 31, 2020	March, 31 2019	April, 1 2018
Balance, beginning of year	\$ 714,319	\$ 689,381	\$ 663,586
Service cost	54,236	50,845	53,839
Interest cost	20,966	23,335	21,817
Benefits paid	(27,226)	(38,083)	(46,194)
Amortization actuarial gain	(9,380)	(11,159)	(3,667)
Balance, end of year	\$ 752,915	\$ 714,319	\$ 689,381

(b) Vacation pay and recoverable:

Each year, the WRHA funds a portion of the vacation pay liability of the Ministry Unit, which is limited to the amount established at March 31, 2004 of \$271,682. This amount is included in employee benefits recoverable from WRHA on the statements of financial position.

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Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

5. Deferred grants receivable:

(a) Province of Manitoba:

The Province of Manitoba had arranged for the Ministry Unit to receive a grant of \$86,350 to be amortized at 6.875 percent interest annually for 50 years (maturing in 2020). The annual payment is \$6,060 including principal and interest, and the remaining amount receivable at March 31, 2020 is \$3,641 (March 31, 2019 - \$8,311; April 1, 2018 - \$12,981).

(b) WRHA:

In fiscal year 2014 and 2015, the Ministry Unit undertook projects to replace the windows and the HVAC units in the facility. For the year ended March 31, 2015, these costs were recognized in physical plant expense in the statements of operations and accumulated surplus (deficit) in the amount of \$452,605.

The costs of the window project were partially funded through a \$200,000 grant from DHQ, received in 2014, and through a deferred grant to be received from the WRHA over a 10-year period. The amount of the grant from the WRHA for the windows is \$336,987, with \$19,670 remaining to be received from the WRHA as at March 31, 2020 (March 31, 2019 - \$154,337; April 1, 2018 - \$188,057). This amount was recorded as a grant receivable and revenue, and was being paid by the WRHA over 10 years with a maturity in 2023. The annual payment to be received is \$33,720 plus interest at prime, however in fiscal 2020 WHRA paid \$134,667. In 2015, THQ set up a loan with the Ministry Unit for the amount of the WRHA contribution to the project (note 7(b)). In 2015, approximately \$79,000 in costs were incurred in relation to the window project, which were funded through an internal loan from THQ (note 7(b)), which matured in fiscal 2020 and was fully paid.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

6. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities consist of:

	March 31, 2020	March 31, 2019	April 1, 2018
Accounts payable	\$ 135,385	\$ 161,840	\$ 228,320
Accrued salaries and benefits	216,757	174,579	146,746
Government remittance payable	–	–	9,375
Accrued interest payable	120	743	560
Payable to WRHA	34,560	–	–
	<u>\$ 386,822</u>	<u>\$ 337,162</u>	<u>\$ 385,001</u>

7. Long-term debt:

(a) Canada Mortgage and Housing Corporation ("CMHC"):

Principal and interest payments are funded by the Province of Manitoba via the WRHA. The funding of the principal payment is recorded in WRHA revenue.

During 2019, THQ paid the remaining principal and interest outstanding to CMHC for \$60,526. The amount was financed through a THQ loan payable (note 7(b)).

During the year, interest expense relating to the mortgage payable amounted to nil (2019 - \$5,080).

	March 31, 2020	March 31, 2019	April 1, 2018
Mortgage payable, interest at 6.875%, payable in monthly blendable repayments of \$3,966, due 2020	\$ –	\$ –	\$ 99,075

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

7. Long-term debt (continued):

(b) Loans payable to THQ:

The Ministry Unit has loans payable to THQ for the projects described in note 5(b).

During the year, interest expense relating to the loans payable to THQ amounted to \$6,268 (2019 - \$7,813).

	March 31, 2020	March 31, 2019	April 1, 2018
Loan payable, interest at 3.14%, payable in monthly blended repayments of \$3,105, matured May 2019	\$ –	\$ 6,343	\$ 42,778
Loan payable, interest at 3.00%, payable in monthly blended repayments of \$2,810, repaid in 2020. Principal and interest payments are funded by the Province of Manitoba via the WRHA	–	157,147	190,868
Loan payable, interest at 3.17%, payable in monthly blended repayments of \$1,498, due November 2021	29,148	45,913	62,158
Loan payable, interest at 4.47%, payable in monthly blended repayments of \$3,904, due June 2020. Principal and interest payments are funded by the Province of Manitoba via the WRHA	11,625	56,847	–
	<u>\$ 40,773</u>	<u>\$ 266,250</u>	<u>\$ 295,804</u>

Principal repayments required in each of the next two years to maturity are as follows:

2021	\$ 28,929
2022	11,844
	<u>\$ 40,773</u>

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

8. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals	2020 Total
Land	\$ 55,159	\$ —	\$ —	\$ 55,159
Buildings	1,184,276	—	—	1,184,276
Building expansion	5,868,028	10,424	—	5,878,452
Major equipment	838,689	8,400	(3,330)	843,759
Nurse call system	165,264	—	—	165,264
Roof expansion	220,033	—	—	220,033
Computer hardware and software	26,323	10,192	(26,323)	10,192
	<u>\$ 8,357,772</u>	<u>\$ 29,016</u>	<u>\$ (29,653)</u>	<u>\$ 8,357,135</u>

Accumulated amortization	Balance at March 31, 2019	Additions	Disposals	2020 Total
Land	\$ —	\$ —	\$ —	\$ —
Buildings	1,001,688	23,687	—	1,025,375
Building expansion	5,075,270	193,726	—	5,268,996
Major equipment	518,982	71,693	(2,276)	588,399
Nurse call system	60,614	5,510	—	66,124
Roof expansion	220,033	—	—	220,033
Computer hardware and software	26,323	2,548	(26,324)	2,547
	<u>\$ 6,902,910</u>	<u>\$ 297,164</u>	<u>\$ (28,600)</u>	<u>\$ 7,171,474</u>

Net book value	2020 Total	2019 Total
Land	\$ 55,159	\$ 55,159
Buildings	158,901	182,588
Building expansion	609,456	792,758
Major equipment	255,360	319,707
Nurse call system	99,140	104,650
Roof expansion	—	—
Computer hardware and software	7,645	—
	<u>\$ 1,185,661</u>	<u>\$ 1,454,862</u>

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

8. Tangible capital assets (continued):

Cost	Balance, March 31, 2018	Additions	Disposals	2019 Total
Land	\$ 55,159	\$ —	\$ —	\$ 55,159
Buildings	1,184,276	—	—	1,184,276
Building expansion	5,868,028	—	—	5,868,028
Major equipment	816,379	22,310	—	838,689
Nurse call system	165,264	—	—	165,264
Roof expansion	220,033	—	—	220,033
Computer hardware and software	26,323	—	—	26,323
	\$ 8,335,462	\$ 22,310	\$ —	\$ 8,357,772

Accumulated amortization	Balance at, March 31, 2018	Additions	Disposals	2019 Total
Land	\$ —	\$ —	\$ —	\$ —
Buildings	978,004	23,684	—	1,001,688
Building expansion	4,881,771	193,499	—	5,075,270
Major equipment	439,511	79,471	—	518,982
Nurse call system	55,104	5,510	—	60,614
Roof expansion	220,033	—	—	220,033
Computer hardware and software	25,625	698	—	26,323
	\$ 6,600,048	\$ 302,862	\$ —	\$ 6,902,910

Net book value	2019 Total	2018 Total
Land	\$ 55,159	\$ 55,159
Buildings	182,588	206,272
Building expansion	792,758	986,257
Major equipment	319,707	376,868
Nurse call system	104,650	110,160
Roof expansion	—	—
Computer hardware and software	—	698
	\$ 1,454,862	\$ 1,735,414

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

9. Cash in trust:

The Ministry Unit has cash held in trust totaling \$13,598 (March 31, 2019 - \$16,056; April 1, 2018 - \$12,602) on behalf of residents. These funds are not presented in these financial statements.

10. Pension plan:

Eligible employees of the Ministry Unit are members of the Healthcare Employees' Pension Plan - Manitoba ("HEPP"), a multi-employer defined benefit pension plan.

During the year, the Ministry Unit contributed \$492,281 (2019 - \$490,989; 2018 - \$484,482) on behalf of its employees. The most recent funding actuarial valuation of the plan as at December 31, 2016 reported that the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations and indicates 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. The going concern deficiency 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, 2020, with the inclusion of contributions toward the Cost of Living Adjustment Plan, employer contribution rates are 8.9% (2019 - 8.90%; 2018 - 8.90%) of pensionable earnings up to the Year's Maximum Pensionable Earnings ("YMPE") and 10.5 % (2019 - 10.50%; 2018 - 10.50%) on earnings in excess of YMPE.

11. Interfund transfers:

In 2020, the Ministry Unit transferred \$10,138 from core operations to the capital operations to fund the purchase of capital assets.

In 2019, the Ministry Unit transferred \$54 from core operations to the capital operations for the loan payment.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

12. Related party transactions and balances:

During the year, the Ministry Unit had the following transactions with the related parties:

	March 31, 2020	March 31, 2019
Revenue:		
Grant from DHQ - Other	\$ 410,000	\$ 60,000
Grant from DHQ - Legacy	81,000	–
Grant from DHQ - Red Shield Appeal	194,000	273,500
Grant from THQ - Johnstone Endowment	4,512	3,860
	<hr/>	<hr/>
	\$ 689,512	\$ 337,360
Expenses:		
Management support assessment paid to THQ	\$ 155,511	\$ 155,511
Accounting fees paid to THQ	88,960	88,952
Rent payment paid to other Salvation Army Ministry Unit	1,800	1,920
	<hr/>	<hr/>
	\$ 246,271	\$ 246,383

DHQ has approved funding to the Ministry Unit up to \$60,000 annually starting April 1, 2012 for a maximum of 12 years for the purpose of reducing the deficiency in net assets, when required. During the year, one time grant of \$491,000 was given from the DHQ reserve, and, in 2019, \$60,000 was granted as a Red Shield Appeal.

Included in accounts payable and accrued liabilities are balances due to THQ of \$120 (March 31, 2019 - \$743; April 1, 2018 - \$753), which is the March interest payable on the loan payable to THQ.

The Ministry Unit transferred nil (2019 - \$850) as a grant to the Partners in Mission campaign.

The Ministry Unit paid \$1,800 (2019 - \$1,920) as rental payment to another Ministry Unit of The Salvation Army, which is included in operating expenses.

The above transactions and balances are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

13. Economic dependence:

The Ministry Unit receives the majority of its revenue in the form of grants from WRHA. In management's opinion, the Ministry Unit's continued operations are dependent on the continuance of these grants.

14. Contingent liability:

In 2018, the Ministry Unit was made aware by HEB Manitoba ("HEB") that there were unremitted pension contributions associated with the HEPP related to prior fiscal years. The amount of the liability is unknown as at March 31, 2020 as the Ministry Unit and HEB have not accurately determined the amount due from the Ministry Unit to HEB.

In addition, the Ministry Unit has been informed by Winnipeg Fire Paramedic Service that they are required to complete upgrades on their existing infrastructure in order to meet fire regulations. The amount of the liability as at March 31, 2020 is unknown. The Ministry Unit is working with THQ and Shared Health Manitoba to determine a strategic plan to meet the fire regulations.

15. Financial risks:

The Ministry Unit is exposed to the following risks. There have been no significant changes in risk exposure from 2019 and 2018.

(a) Credit risk:

Credit risk arises from the risk that parties will fail its obligations. The Ministry Unit is exposed to credit risk comprised of accounts receivables and receivables from WRHA.

The Ministry Unit's accounts receivable consists of amounts due from the Canadian Revenue Agency. The receivables are monitored on an ongoing basis. There was no allowance for doubtful accounts at March 31, 2020 and 2019. As at March 31, 2020 and 2019, there were no accounts receivable past due.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

15. Financial risks (continued):

(b) Liquidity risk:

The Ministry Unit is exposed to the risk of difficulty in meeting obligations associated with its financial liabilities. The Ministry Unit manages its liquidity risk by monitoring cash requirement through cash forecasts for sufficient resources to meet its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of long-term debt are disclosed in note 7.

16. Budget data:

Budget amounts are reported on the statements of operations and accumulated surplus (deficit) and statements of changes in net debt. The budget is provided for comparison purposes and was approved by the Board of Directors on January 18, 2019. The original budget was not updated due to the change to PSAS.

17. Transitional adjustments:

(a) Statement of financial position - accumulated surplus:

The following table summarizes the impact of the transition to PSAS on the Ministry Unit's accumulated surplus as of April 1, 2018:

Accumulated surplus:	
As previously reported under ASNPO, March 31, 2018	\$ (203,909)
Adjustment to recognize unamortized deferred capital contributions as revenue	1,684,259
Restated, April 1, 2018	\$ 1,480,350

PSAS requires the recognition of funding for capital to be recorded in the year received unless very specific criteria are met to recognize a liability. As a result, the Ministry Unit has recognized previously deferred capital contributions as an adjustment to opening accumulated surplus (capital operations) as disclosed above.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

17. Transitional adjustments (continued):

(b) Statement of operations and accumulated surplus (deficit):

As a result of the retrospective application of PSAS, the Ministry Unit recorded the following adjustments to the annual deficit for the year ended March 31, 2019:

	Core operations	Capital operations
Annual deficit:		
As previously reported under ASNPO, March 31, 2019	\$ (246,442)	\$ (3,477)
Net decrease to WRHA revenue as a result of recognizing funding for capital in the year received and derecognizing amortization of deferred capital contribution previously reported under ASNPO	(1,243)	(234,901)
Restated for the year ended March 31, 2019	\$ (247,685)	\$ (238,378)

18. Subsequent event:

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus. The situation is constantly evolving, and the measures put in place are having a significant impact on economic and social matters.

Management is closely monitoring the situation and evaluating the impact of guidance and regulations implemented by medical and government bodies across the country. As this new information becomes available management has continued to evaluate the impact on the March 31, 2020 financial statements. As of the date these financial statements were approved management has identified the following events which will affect the Ministry Unit and the effect is not yet determinable.

- The closure of the facilities to the general public and implementation of appropriate screening mechanisms.
- The implementation of working from home requirements for certain employees.

THE SALVATION ARMY

GOLDEN WEST CENTENNIAL LODGE

Notes to Financial Statements (continued)

Years ended March 31, 2020 and 2019

18. Subsequent event (continued):

The Ministry Unit continues to experience increases in operating costs in the subsequent period. 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. The Ministry Unit is a controlled entity of The Governing Council, who will continue to support the Ministry Unit's future operations, as required.