Combined Financial Statements of

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Year ended March 31, 2020

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Index

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Member of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and Actionmarguerite (St. Joseph) Inc.

Opinion

We have audited the combined financial statements of Actionmarguerite (Saint-Boniface) Inc., Actionmarguerite (Saint-Vital) Inc. and Actionmarguerite (St. Joseph) Inc. (the "Entity"), which comprise the combined statement of financial position as at March 31, 2020, the combined statements of operations and accumulated surplus, remeasurement gains and losses, change in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the combined financial position of the Entity as at March 31, 2020, and its combined results of operations, its combined remeasurement gains and losses, its combined change in net debt and its combined cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements 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

Winnipeg, Canada

June 26, 2020

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Financial Position

As at March 31, 2020, with comparative information for 2019

		2020		2019
Financial assets:				
Cash and cash equivalents	$	6,492,187	$	8,109,250
Accounts receivable (note 12)		666,854		791,057
Employee benefits recoverable from Winnipeg Regional health Authority (note 8)		1,458,347		1,458,347
Receivable from Winnipeg Regional Health Authority (note 3)		2,851,718		2,613,872
Investments (note 4)		1,138,979		1,251,828
Employee future benefits recoverable from Winnipeg Regional Health Authority (note 8)		3,310,213		3,510,603
		15,918,298		17,734,957
Financial liabilities:				
Bank indebtedness (note 5)		81,066		69,061
Accounts payable and accrued liabilities (note 6)		5,447,761		6,212,061
Advances from Winnipeg Regional Health Authority (note 7)		1,485,679		1,485,679
Unearned revenue (note 9)		908,215		2,120,137
Employee future benefits (note 8)		3,691,431		3,891,821
Long-term debt (note 10)		5,907,216		5,915,853
		17,521,368		19,694,612
Net debt		(1,603,070)		(1,959,655)
Non-financial assets:				
Tangible capital assets (note 11)		21,039,035		21,515,953
Inventory		159,297		168,055
Prepaid expenses		104,112		86,672
		21,302,444		21,770,680
Accumulated surplus	$	19,699,374	$	19,811,025
Accumulated surplus is comprised of:				
Accumulated surplus	$	19,814,687	$	19,810,002
Accumulated measurement gains (losses)		(115,313)		1,023
Contingency (note 8)				
Subsequent event (note 17)				
	$	19,699,374	$	19,811,025

See accompanying notes to combined financial statements.

On behalf of the Board of Directors:

Original Document Signed Member

Original Document Signed Member

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Operations and Accumulated Surplus

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

	2020 Budget	2020	2019
Revenue:			
Winnipeg Regional Health Authority	$ 35,335,945	$ 35,993,143	$ 35,832,961
Resident and service fees	11,199,325	11,197,789	10,823,448
Recoveries	257,587	609,337	371,918
Other revenue	457,990	808,855	718,649
Total revenue	$ 47,250,847	$ 48,609,124	$ 47,746,976
Expenses (note 15):			
Administration	2,839,708	2,683,864	2,634,039
Direct nursing	28,849,590	29,766,712	29,684,277
Nursing support programs	2,630,667	2,464,737	2,390,711
Nutrition	4,718,967	4,625,251	4,560,160
Support services	3,125,330	3,209,692	3,050,763
Information technology	239,254	166,878	197,207
Plant operation and maintenance	4,716,910	4,879,805	4,831,519
Adult day program	500,443	486,848	476,632
Supporting housing program	1,188,318	1,185,424	1,135,761
Ancillary operations	–	4,080	3,249
Total expenses	$ 48,809,187	$ 49,473,291	$ 48,964,318
Annual deficit before government transfers related to capital	(1,558,340)	(864,167)	(1,217,342)
Government transfers related to capital	826,519	868,852	1,115,369
Annual surplus (deficit)	$ (731,821)	$ 4,685	$ (101,973)
Accumulated surplus, beginning of year		19,810,002	19,911,975
Accumulated surplus, end of year		$ 19,814,687	$ 19,810,002

See accompanying notes to financial statements.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Remeasurement Gains and Losses

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

	2020	2019
Accumulated remeasurement gains, beginning of year	$ 1,023	$ 1,216
Unrealized gains (losses) attributable to investments	(126,166)	5,526
Realized losses (gains), reclassified to combined statement of operations, attributable to investments	9,830	(5,719)
Net remeasurement losses for the year	(116,336)	(193)
Accumulated remeasurement gains (losses), end of year	$ (115,313)	$ 1,023

See accompanying notes to financial statements.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Change in Net Debt

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

	Budget	2020	2019
Annual surplus (deficit)	$ (731,821)	$ 4,685	$ (101,973)
Acquisition of tangible capital assets	(1,154,976)	(1,359,264)	(1,154,976)
Amortization of tangible capital assets	1,822,361	1,836,182	1,822,361
Change in inventory	–	8,758	(15,040)
Change in prepaid expenses	–	(17,440)	62,084
Change in accumulated remeasurement gains	–	(116,336)	(193)
Increase (decrease) in net debt	$ (64,436)	356,585	612,263
Net debt, beginning of year		(1,959,655)	(2,571,918)
Net debt, end of year		$ (1,603,070)	$ (1,959,655)

See accompanying notes to financial statements.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Combined Statement of Cash Flows

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

	2020	2019
Cash provided by (used in):		
Operating:		
Annual surplus (deficit)	$ 4,685	$ (101,973)
Add (deduct) items not impacting cash:		
Amortization of capital assets	1,836,182	1,822,361
Change in non-cash operating working capital balances related to operations (note 13)	(2,098,547)	1,453,673
	(257,680)	3,174,061
Capital:		
Additions to tangible capital assets	(1,359,264)	(1,154,976)
Investing:		
Disposal (purchase) of investments, net	(3,487)	400,533
Financing:		
Increase (decrease) in bank indebtedness	12,005	(461,583)
Proceeds from long-term debt	471,914	2,212,011
Repayment of long-term debt	(480,551)	(2,333,593)
	3,368	(583,165)
Increase (decrease) in cash and cash equivalents	(1,617,063)	1,836,453
Cash and cash equivalents, beginning of year	8,109,250	6,272,797
Cash and cash equivalents, end of year	$ 6,492,187	$ 8,109,250
Cash and cash equivalents is comprised of the following:		
Cash	$ 4,231,756	$ 5,898,175
Cash equivalents	2,260,431	2,211,075
	$ 6,492,187	$ 8,109,250

See accompanying notes to financial statements.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

1. Purpose of the Corporations:

Actionmarguerite (Saint-Boniface) Inc. (Saint-Boniface) was incorporated on July 9, 1968 under the laws of Manitoba as Taché Nursing Centre Hospitalier Taché Inc. and operated under the name Centre Taché Centre. The articles were amended on June 1, 2011 to change the name of the corporation to Actionmarguerite (Saint-Boniface) Inc.

Actionmarguerite (Saint-Vital) Inc. (Saint-Vital) was incorporated on January 22, 1976 under the laws of Manitoba as Foyer St. Boniface Inc. - St. Boniface Home Inc. and subsequently changed its name to Foyer Valade Inc. in 1988 to coincide with the relocation of the facility to River Road. The articles were amended on June 1, 2011 to change the name of the corporation to Actionmarguerite (Saint-Vital) Inc.

Actionmarguerite (St. Joseph) Inc. (St. Joseph) was incorporated on October 29, 1987 under the laws of Manitoba. The articles were amended on August 24, 2017 to change the name of the corporation to Actionmarguerite (St. Joseph) Inc.

Saint-Boniface functions as a bilingual long-term care facility and also provides a respite program, Adult Day Program and provides care services for the Supportive Housing Program. Saint-Vital functions as a long-term care facility mandated by the Provincial Government to provide services to French speaking residents. St. Joseph functions as a long-term care facility. Saint-Boniface, Saint-Vital and St. Joseph have a common Board of Directors (the Board) and have the same Member, Catholic Health Corporation of Manitoba.

2. Significant accounting policies:

(a) Basis of presentation:

These combined financial statements represent an aggregation of the financial statements of Saint-Boniface, Saint-Vital and St. Joseph (together, the Corporations), which are under common control. All significant inter-company balances and transactions have been eliminated.

(b) Revenue recognition:

The Corporations are funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with Service Purchase Agreements (SPAs). On April 1, 2019, the Corporation entered into a new SPA with WRHA which can be terminated on 12 months notice and remains in effect until it is replaced with a new SPA.

2. Significant accounting policies (continued):

As the care provider for the Supportive Housing Program at Chez Nous and Windsor Park Place, funding is received from the WRHA in accordance with a Service Purchase Agreement which expired on September 30, 2013, however it continues to be in effect until a new agreement is finalized. Operating grants are recorded as revenue in the period to which they relate.

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 Corporations

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

i. Assets funded by approved//funded 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.

Any unrestricted non-government contributions or grants are recorded as revenue in the year received or in the years the funds are committed to the Corporations if the amount can be reasonably estimated and collection is reasonably assured. All non-government contributions or grants that are externally restricted such that they must be used for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally restricted inflow received before the criterion has been met is reported as unearned revenue until the resources are used for the purpose or purposes specified.

Investment income is recognized as revenue in the year in which the income was earned. Investment income includes interest income and realized gains (losses) on investments.

2. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash and short-term deposits which are highly liquid with original maturities of less than three months.

(d) Operating deficits or surpluses:

In accordance with the terms and conditions of the SPAs, annual operating deficits are the responsibility of the Corporations. The Operating surplus the Personal Care Home Program and Adult Day Program may retain up to 2 percent of the global budget as provided by WRHA, in any fiscal year. The remaining operating surplus of the Personal Care Home Program and Adult Day Program in any fiscal year is repayable to the WRHA. Those surpluses that are retained by the Corporations are subject to review by the WRHA.

(e) Expenses:

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

(f) Financial instruments:

Derivative instruments and equity instruments that are quoted in an active market are reported, on initial recognition and subsequently, at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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

All financial assets are assessed for impairment on an annual basis.

2. Significant accounting policies (continued):

When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

PSAS require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Corporations' investments are classified as level 1. There were no transfers between level 1 and level 2 for the years ended March 31, 2020 and 2019, and there were no transfers in or out of level 3.

(g) Tangible capital assets:

Tangible capital assets are recorded at cost. Incremental interest incurred during the construction of tangible capital assets is included in 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 Corporations' ability to provide services, its carrying amount is written down to its residual value.

2. Significant accounting policies (continued):

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The annual amortization rates are as follows:

Asset	Rate
Land improvements	20 years
Leasehold estate	60 years
Buildings	50 years
Equipment and building service equipment and software licenses and fees	5 to 16 years

(h) Contributed services:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(i) Inventory:

Inventory consists of drugs that are measured at the lower of cost, on a first-in, first-out basis, and replacement cost.

(j) Employee future benefits:

The Corporations record a provision for employee benefits comprised of accrued vacation. A further provision for employee future pre-retirement benefits, being an actuarial estimate of the Corporations' obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. The cost of the Corporations' employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

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

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

2. Significant accounting policies (continued):

(k) Income taxes:

The Corporations are registered charities within the meaning of the *Income Tax Act* and therefore are exempt from income taxes under Section 149(1) of the Act.

(l) Use of estimates:

The preparation of 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 carrying amount of tangible capital assets and obligations related to employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Receivable from Winnipeg Regional Health Authority:

	Saint-Boniface	Saint-Vital	St. Joseph	2020 Combined	2019 Combined
Receivable:					
Prior years'	$ 1,921,616	$ 373,951	$ 500,670	$ 2,796,237	$ 2,326,178
Resident charges	71,572	41,159	9,252	121,983	355,125
Salaries and benefits	211,351	137,224	38,060	386,635	452,160
Employee pre-retirement benefits	163,597	–	36,017	199,614	93,809
Other	219,482	132,463	27,735	379,680	439,253
	2,587,618	684,797	611,734	3,884,149	3,666,525
Payable:					
Prior years'	699,941	159,998	171,416	1,031,355	894,783
Salaries and benefits	–	519	88	607	28,704
Interest	–	–	–	–	–
Other	449	20	–	469	129,166
	700,390	160,537	171,504	1,032,431	1,052,653
	$ 1,887,228	$ 524,260	$ 440,230	$ 2,851,718	$ 2,613,872

Over/under funding occurs when non-global items (including resident fees revenue and interest expense) are over/under the amounts budgeted by the WRHA. Over/under funded amounts are payable to/receivable from the WRHA.

4. Investments:

Pursuant to an agreement with The Winnipeg Foundation, the Corporations receive investment income earned based on a flat percentage to a maximum of 5 percent of the average market value of the investments under administration for the previous 12 quarters. The market value of the investment with The Winnipeg Foundation at March 31, 2020 is $1,138,979 (2019 - $1,251,828).

5. Bank indebtedness:

At March 31, 2020, the Corporations had authorized lines of credit of $2,296,769 (2019 - $2,574,994) of which $81,066 (2019 - $69,061) was used to finance the following projects:

	2020		2019	
	Authorized	Outstanding borrowings	Authorized	Outstanding borrowings
Caisse Financial Group				
Operating lines of credit	$ 1,750,000	$ –	$ 1,750,000	$ –
38 bed addition (Saint-Vital)	90,000	48,976	90,000	69,061
Fire Panel (Saint-Vital)	193,689	–	–	–
Province of Manitoba				
Air conditioning replacement (St. Joseph)	49,812	–	521,726	–
Fire pump replacement (Saint-Boniface)	213,268	32,090	213,268	–
	$ 2,296,769	$ 81,066	$ 2,574,994	$ 69,061

The lines of credit with Caisse Financial Group bear interest at the bank’s prime rate less 0.25 percent per annum except for $250,000 which bears interest at the bank’s prime rate less 0.75 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand. The line of credit for the 38 bed addition is guaranteed by Fondation Actionmarguerite Foundation Inc., a corporation with the same Member as the Corporations.

The lines of credit with the Province of Manitoba bear interest at prime rate less 1.90 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Notes to Combined Financial Statements

Year ended March 31, 2020

6. Accounts payable and accrued liabilities:

	2020	2019
Trade accounts payable and accrued liabilities	$ 1,293,555	$ 1,316,152
Accrued vacation benefits payable	2,337,177	2,276,839
Accrued salaries	1,206,568	1,154,269
Employee remittances payable	610,461	1,464,801
	$ 5,447,761	$ 6,212,061

7. Advances from Winnipeg Regional Health Authority:

At March 31, 2020, to offset related funding commitments outstanding from prior year receivables, funding advances from the WRHA aggregated $1,485,679 (2019 - $1,485,679). These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

8. Employee benefits:

(a) Employee future benefits:

Employee future benefits consist of:

	2020	2019
Pre-retirement benefits	$ 3,396,796	$ 3,543,503
Accumulated non-vested sick leave benefits	294,635	348,318
	$ 3,691,431	$ 3,891,821

The Corporations maintain an employee pre-retirement benefits plan for substantially all of their employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

The estimation of the future pre-retirement benefits obligation has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporations' future pre-retirement benefits obligation include mortality and withdrawal rates, a discount rate of 2.60 percent (2019 - 3.10 percent), a rate of salary increase of 0.75 percent to March 2021,1.00 percent to March 2022 and 3.50 percent thereafter (2019 - nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter) plus an age-related merit/promotion scale.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.
Notes to Combined Financial Statements

Year ended March 31, 2020

8. Employee benefits (continued):

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

	2020	2019
Accrued benefit obligation:		
Balance, beginning of year	$ 3,543,503	$ 3,569,263
Current benefit cost	217,414	249,448
Interest	88,404	104,592
Benefits paid	(405,995)	(329,785)
Balance, end of year	3,443,326	3,593,518
Amortized actuarial losses	(46,530)	(50,015)
Pre-retirement benefits	$ 3,396,796	$ 3,543,503

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the combined statements of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability since 2007, which includes an interest component. The decrease recorded in fiscal 2020 was $146,707 (2019 - $25,760) and is recorded in the combined statement of operations. The employee future pre-retirement benefits recoverable from WRHA at March 31, 2020 aggregates $3,015,578 (2019 - $3,162,285) and has no specified terms of repayment. Actual funding provided by WRHA has been 100 percent (2019 - 100 percent) of actual pre-retirement benefits paid during the year.

The Corporations provide accumulating sick leave benefits to certain employee groups. These benefits accumulate with employee service and benefit amounts are determined with reference to employees' final earnings at the time they are paid out. The significant assumptions adopted in measuring the Corporations' accumulated non-vested sick leave benefits include a discount rate of 2.60 percent (2019 - 3.10 percent) and a rate of salary increase of 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter (2019 - nil percent to March 2020, 0.75 percent to March 2021, 1.00 percent to March 2022 and 3.50 percent thereafter) plus an age-related merit/promotion scale.

A recoverable from the WRHA of $294,635 (2019 - $348,318) for the accumulated non-vested sick leave benefits has been recorded in the combined statement of financial position.

8. Employee future benefits (continued):

The recoverable has been adjusted, based on direction from WRHA, for the incremental change in the accumulated non-vested sick leave benefits. The decrease recorded in 2020 was $53,683 (2019 - decrease of $655,616) and is recorded in the combined statement of operations.

(b) Accrued vacation benefits:

The cost of the Corporations' vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the combined statement of financial position. The vacation benefits liability at March 31, 2020 is $2,337,177 (2019 - $2,276,839).

The funding received in each subsequent fiscal year from the WRHA includes the employee benefits recoverable of $1,458,347 as included on the combined statement of financial position. The employee benefits recoverable from the WRHA are maintained at the value of the vacation benefits liability at March 31, 2004.

(c) Pension plans:

Most of the employees of the Corporations are members of Healthcare Employees' Pension Plan - Manitoba (HEPP), which is a multi-employer defined benefit pension plan available to all eligible employees. During the year, the Corporations contributed $2,545,611 (2019 - $2,532,939) on behalf of its eligible employees to HEPP. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporations are accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. The most recent actuarial valuation of the plan as at December 31, 2019, reported the plan had a surplus of actuarial value of net assets over actuarial present value of accrued pension obligations as well as a solvency deficiency. Based on a solvency exemption granted to HEPP, the plan is not required to fund on a solvency basis, but is required to fund on a going concern basis. A going concern deficiency, if any, will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. On April 1, 2019 employer contribution rates remained at 8.9 percent (2019 - 8.9 percent) of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 10.5 percent (2019 - 10.5 percent) on earnings in excess of YMPE.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Notes to Combined Financial Statements

Year ended March 31, 2020

8. Employee future benefits (continued):

During the year ended March 31, 2018, the Corporations were made aware by HEPP that there were unremitted pension contributions associated with HEPP related to prior fiscal years. The amount of the liability is unknown as at March 31, 2020 as the Corporations and HEPP have not accurately determined the amount due from the Corporations to HEPP. It is expected that the amount, once finalized, will not be material to the financial statements of the Corporations.

9. Unearned revenue:

Unearned revenue reported on the combined statement of financial position is made up of the following:

	2020	2019
Deferred capital grants	$ 498,900	$ 527,687
Unearned operating funding - WRHA	–	1,278,783
Other	409,315	313,667
Total unearned revenue	$ 908,215	$ 2,120,137

Continuity of unearned revenue is as follows:

	2020	2019
Balance, beginning of year:		
Deferred capital grants	$ 812,837	$ 527,687
Other	1,307,300	297,283
	2,120,137	824,970
Unearned operating funding received - WRHA	–	1,278,783
Other unearned revenue received	95,344	27,130
Total unearned revenue	2,215,481	2,130,883
Other revenue recognized	(1,307,266)	(10,746)
Balance, end of year	$ 908,215	$ 2,120,137

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.
Notes to Combined Financial Statements

Year ended March 31, 2020

10. Long-term debt:

	2020	2019
First mortgage on 1978 construction, payable in monthly blended payments of $13,375, due April 1, 2023. The effective interest rate after giving consideration to forgiveness clauses is 8%	$ 1,084,053	$ 1,170,521
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	485,145	619,228
Promissory note payable, payable in monthly principal payments of $21,667 plus interest at 5.10%, due February 28, 2027, unsecured	1,798,334	2,058,334
Long-term financing on nurse call system and sprinkler system upgrades and replacement of windows and bricks, payable in monthly principal payments of $9,894 plus interest at 2.45%, due March 31, 2023	343,071	–
Long-term financing on roof and tub replacements, payable in monthly principal payments of $5,298 plus interest at 2.75%, due March 31, 2027	404,419	–
Long-term financing on roof and generator replacements, payable in monthly principal payments of $9,980 plus interest at 2.75%, due March 31, 2027	761,754	–
Long-term financing on roof replacement, payable in monthly principal payments of $4,061 plus interest at prime less 2.90%, due March 31, 2030	422,535	–
Long-term financing on air conditioning replacement, payable in monthly principal payments of $4,535 plus interest at 2.90%, due March 31, 2030	471,914	–
Long-term financing on nursing call station upgrade, payable in monthly principal payments of $1,307 plus interest at 2.90%, due March 31, 2030	135,991	–
Long-term financings on roof replacement and other major repairs, interest at prime less 1.90%	–	2,067,770
	$ 5,907,216	$ 5,915,853

During fiscal 2019, the long-term financing loans that were held with Caisse Financial Group were refinanced through the Province of Manitoba. During fiscal 2020, the long-term finacing loans with the Province of Manitoba were refinanced by the Province of Manitoba with new terms and conditions. The long-term financing loans are supported by comfort letters from Manitoba Health and WRHA. Both mortgages are payable to the Canada Mortgage and Housing Corporation.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.
Notes to Combined Financial Statements

Year ended March 31, 2020

10. Long-term debt (continued):

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

2021	$ 921,130
2022	942,538
2023	952,770
2024	704,649
2025	703,060
Thereafter	1,683,069
	$ 5,907,216

11. Tangible capital assets:

Cost	Balance at March 31, 2019	Additions	Disposals	2020 Total	2019 Total
Land	$ 193,965	$ –	$ –	$ 193,965	$ 193,965
Land improvements	693,892	–	–	693,892	693,892
Leasehold estate	200,040	–	–	200,040	200,040
Buildings	36,239,216	–	–	36,239,216	36,239,216
Equipment	15,160,875	590,370	–	15,751,245	15,160,875
Projects in progress	81,760	768,894	–	850,654	81,760
	$ 52,569,748	$ 1,359,264	$ –	$53,929,012	$52,569,748

Accumulated amortization	Balance at March 31, 2019	Additions	Disposals	2020 Total	2019 Total
Land	$ –	$ –	$ –	$ –	$ –
Land improvements	566,926	14,206	–	581,132	566,926
Leasehold estate	160,903	3,334	–	164,237	160,903
Buildings	20,040,012	1,079,095	–	21,119,107	20,040,012
Equipment	10,285,954	739,547	–	11,025,501	10,285,954
Projects in progress	–	–	–	–	–
	$ 31,053,795	$ 1,836,182	$ –	$32,889,977	$31,053,795

11. Tangible capital assets (continued):

Net book value		2020 Total		2019 Total
Land	$	193,965	$	193,965
Land improvements		112,760		126,966
Leasehold estate		35,803		39,137
Buildings		15,120,109		16,199,204
Equipment		4,725,744		4,874,921
Projects in progress		850,654		81,760
	$	21,039,035	$	21,515,953

12. Related party transactions:

During the year ended March 31, 2020, Fondation Actionmarguerite Foundation Inc., provided donations of $143,664 (2019 - $100,918) to Saint-Boniface and Saint-Vital.

During the year ended March 31, 2020, Friends of St. Joseph's Inc., an entity with the same Member as St Joseph, made donations to St. Joseph of $55,741 (2019 - $53,058). At March 31, 2020, St Joseph had a receivable from Friends of St. Joseph's Inc. of $18,647 (2019 - $57,902).

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.

13. Change in non-cash operating working capital:

The change in non-cash operating working capital consists of the following:

		2020		2019
Accounts receivable	$	124,203	$	69,362
Receivable from Winnipeg Regional Health Authority		(237,846)		136,803
Inventory		8,758		(15,040)
Prepaid expenses		(17,440)		62,084
Accounts payable and accrued liabilities		(764,300)		(94,703)
Unearned revenue		(1,211,922)		1,295,167
	$	(2,098,547)	$	1,453,673

14. Financial risks:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Corporations are exposed to credit risk with respect to accounts receivable, employee benefit recoverable from Winnipeg Regional Health Authority, receivable from Winnipeg Regional Health Authority, future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority and cash.

The Corporations assess, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Corporations at March 31, 2020 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the combined statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the combined statement of operations. 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.

There have been no significant changes to the credit risk exposure from 2019.

(b) Liquidity risk:

Liquidity risk is the risk that the Corporations will be unable to fulfill their obligations on a timely basis or at a reasonable cost. The Corporations manages their liquidity risk by monitoring their operating requirements. The Corporations prepare budgets and cash forecasts to ensure they have sufficient funds to fulfill their obligations.

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

The contractual maturities of bank indebtedness and long-term debt are disclosed in note 5 and 10, respectively.

There have been no significant changes to the liquidity risk exposure from 2019.

14. Financial risks (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Corporations revenue or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Corporations to cash flow interest rate risk. The Corporations are exposed to this risk on its variable interest long-term financing loans.

The Corporations are also exposed to fair value risk on their fixed-rate instruments including mortgage and promissory note payable.

There has been no change to the interest rate risk exposure from 2019.

15. Classification of expenditures by object:

The combined statement of operations reports the expenditures by function; the following classifies those same expenditures by object:

	2020 Budget	2020	2019
Salaries and wages	$ 33,005,921	$ 33,701,109	$ 33,885,679
Employee benefits	7,514,230	7,313,015	6,669,085
Purchased and professional services	811,586	721,112	807,409
Medical and surgical supplies	485,500	603,613	558,803
Food	1,566,958	1,608,091	1,588,917
Repairs and maintenance	799,425	1,000,329	874,570
Utilities	937,000	910,031	942,014
Resident travel	271,525	261,677	320,398
General expenses	808,994	791,066	770,462
Insurance	130,500	126,420	125,084
Taxes	358,000	347,207	287,978
Interest	297,187	253,639	311,558
Amortization	1,822,361	1,835,982	1,822,361
Total expenditures by object	$ 48,809,187	$ 49,473,291	$ 48,964,318

16. Budget:

On June 14, 2019, the Board of Directors of the Corporations approved the 2020 budget for the Corporations which has been utilized in these combined financial statements.

17. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, the Corporations have continued to restrict access to the public which commenced in March 2020 based on public health recommendations as a result of the COVID-19 pandemic. In addition, public health orders have resulted in changes to operational practices and additional costs. There is currently no commitment by the WRHA or the Provincial Government to fund these additional costs.

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

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

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Schedule of Combined Statement of Operations - By Entity

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

	PCH Program St. Joseph	PCH Program Saint-Vital	PCH Program Saint-Boniface	Adult Day Program	Supportive Housing Program	2020 Total	2019 Total	2020 Budget
Revenue:								
Winnipeg Regional Health Authority	$ 5,303,374	$ 7,948,340	$21,540,832	$ 398,005	$ 802,592	$35,993,143	$35,832,961	$35,335,945
Resident and service fees	1,978,298	3,146,260	5,563,714	96,365	413,152	11,197,789	10,823,448	11,199,325
	7,281,672	11,094,600	27,104,546	494,370	1,215,744	47,190,932	46,656,409	46,535,270
Offset income:								
Cafeteria	2,407	32,611	113,245	–	–	148,263	161,823	160,550
Interest	5,281	35,554	174,381	–	–	215,216	189,152	5,800
Donations	55,741	74,820	96,752	–	–	227,313	162,248	65,127
Parking	20,651	37,876	86,525	–	–	145,052	146,835	154,000
Shared services	92,678	49,744	1,380,926	–	33,920	1,557,268	1,280,896	1,512,521
Grants	–	–	500	–	–	500	3,401	–
Recoveries:								
General	56,187	105,590	363,102	–	2,583	527,462	368,495	257,587
Ancillary operations	–	2,131	1,949	–	–	4,080	3,249	–
Other	–	51,080	26,715	–	–	77,795	174	–
	232,945	389,406	2,244,095	–	36,503	2,902,949	2,316,273	2,155,585
	7,514,617	11,484,006	29,348,641	494,370	1,252,247	50,093,881	48,972,682	48,690,855
Expenses:								
Salaries and wages	5,379,318	8,098,645	20,651,625	238,448	817,832	35,185,868	35,111,365	34,445,930
Employee benefits	1,052,401	1,652,271	4,417,814	34,952	155,577	7,313,015	6,669,085	7,514,230
Purchased and professional services	106,005	142,922	431,829	1,445	38,911	721,112	807,409	811,586
Medical and surgical supplies	99,334	143,594	360,685	–	–	603,613	558,803	485,500
Food	277,961	364,372	758,081	35,645	172,032	1,608,091	1,588,917	1,566,958
Repairs and Maintenance	145,580	221,901	616,658	12,620	3,570	1,000,329	874,570	799,425
Utilities	154,414	248,719	506,898	–	–	910,031	942,014	937,000
Resident travel	27,468	38,182	46,897	148,443	687	261,677	320,398	271,525
General expenses	143,392	185,643	429,236	12,952	19,841	791,064	770,482	808,994
Insurance	24,651	36,868	64,901	–	–	126,420	125,084	130,500
Interest	–	113,037	140,602	–	–	253,639	311,558	297,187
Taxes	75,765	147,309	124,133	–	–	347,207	287,978	358,000
	7,486,289	11,393,463	28,549,359	484,505	1,208,450	49,122,066	48,367,663	48,426,835
Net surplus before the undernoted	28,328	90,543	799,282	9,865	43,797	971,815	605,019	264,020
Amortization	(266,097)	(524,668)	(1,045,217)	–	–	(1,835,982)	(1,822,361)	(1,822,360)
Government transfers related to capital	30,567	470,124	368,161	–	–	868,852	1,115,369	826,519
Program surplus (deficit)	$ (207,202)	$ 35,999	$ 122,226	$ 9,865	$ 43,797	$ 4,685	$ (101,973)	$ (731,821)

Shared services: Saint-Boniface, Saint-Vital and St. Joseph have an agreement to share the cost of specific employee services based on the time spent on each program. Revenue and expenses related to shared services have been eliminated in the Combined Statement of Operations.

ACTIONMARGUERITE (SAINT-BONIFACE) INC., ACTIONMARGUERITE (SAINT-VITAL) INC. AND ACTIONMARGUERITE (ST. JOSEPH) INC.

Schedule of Combined Statement of Operations, Segregated by Operating and Capital Operations

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

	2020 Operating	2020 Capital	2020 Total	2019 Operating	2019 Capital	2019 Total
Revenue:						
Winnipeg Regional Health Authority	$ 35,993,143	$ –	$ 35,993,143	$ 35,832,961	$ –	$ 35,832,961
Residents and service fees	11,197,789	–	11,197,789	10,823,448	–	10,823,448
	47,190,932	–	47,190,932	46,656,409	–	46,656,409
Other income:						
Cafeteria	148,623	–	148,623	161,823	–	161,823
Interest	215,216	–	215,216	189,152	–	189,152
Donations	217,313	10,000	227,313	162,248	–	162,248
Parking	145,052	–	145,052	146,835	–	146,835
Shared Services	72,151	–	72,151	55,190	–	55,190
Grants	500	–	500	3,401	–	3,401
Recoveries:						
General	527,462	–	527,462	368,495	–	368,495
Other	–	77,795	77,795	174	–	174
Ancillary operations (note 14)	4,080	–	4,080	3,249	–	3,249
	1,330,397	87,795	1,418,192	1,090,567	–	1,090,567
Total revenue	48,521,329	87,795	48,609,124	47,746,976	–	47,746,976
Expenses:						
Administration	2,683,331	533	2,683,864	2,634,039	–	2,634,039
Direct nursing	29,766,712	–	29,766,712	29,684,277	–	29,684,277
Nursing support programs	2,464,737	–	2,464,737	2,390,711	–	2,390,711
Nutrition	4,625,251	–	4,625,251	4,560,160	–	4,560,160
Support services	3,209,692	–	3,209,692	3,050,763	–	3,050,763
Information technology	166,878	–	166,878	197,207	–	197,207
Plant operation and maintenance	3,043,823	1,835,982	4,879,805	3,009,158	1,822,361	4,831,519
Adult day program	486,848	–	486,848	476,632	–	476,632
Supportive housing program	1,185,424	–	1,185,424	1,135,761	–	1,135,761
Ancillary operations	4,080	–	4,080	3,249	–	3,249
Total expenses	47,636,776	1,836,515	49,473,291	47,141,957	1,822,361	48,964,318
Annual surplus (deficit) before government transfers related to capital	884,553	(1,748,720)	(864,167)	605,019	(1,822,361)	(1,217,342)
Government transfers related to capital	–	868,852	868,852	–	1,115,369	1,115,369
Annual surplus (deficit)	$ 884,553	$ (879,868)	$ 4,685	$ 605,019	$ (706,992)	$ (101,973)