

THE CONVALESCENT HOME OF WINNIPEG

FINANCIAL STATEMENTS

March 31, 2020

THE CONVALESCENT HOME OF WINNIPEG

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INDEPENDENT AUDITOR'S REPORT

To the Board of directors of The Convalescent Home of Winnipeg:

Opinion

We have audited the accompanying financial statements of The Convalescent Home of Winnipeg, which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flow for the year then ended, and the notes to financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements including the disclosures, and whether the financial statements representing the underlying transactions and events in a manner that achieved fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Winnipeg, Manitoba
May 28, 2020**

Port Group
**CHARTERED PROFESSIONAL
ACCOUNTANTS INC.**

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

March 31, 2020

	2020	2019
ASSETS		
CURRENT		
Cash	\$ -	40,905
Accounts receivable (note 3)	51,924	48,888
Due from Winnipeg Regional Health Authority (note 9)	361,181	289,165
Vacation entitlement receivable (note 4)	171,526	171,526
Prepaid expenses	17,599	17,302
	<u>602,230</u>	<u>567,786</u>
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 2)	320,021	299,037
RESTRICTED CASH (note 5)	118,755	116,913
CAPITAL ASSETS (note 6)	2,111,817	1,897,874
	<u><u>\$ 3,152,823</u></u>	<u><u>2,881,610</u></u>
LIABILITIES		
CURRENT		
Bank indebtedness (note 7)	\$ 73,229	-
Accounts payable and accrued liabilities (note 8)	348,179	482,575
Resident trust payable	9,427	11,897
Accrued vacation payable (note 4)	275,227	278,601
	<u>706,062</u>	<u>773,073</u>
COMMITMENTS AND CONTINGENCIES (note 11)		
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 2)	263,598	242,614
DEFERRED CONTRIBUTIONS, EXPENSES OF FUTURE PERIODS (note 12)	145,816	130,863
DEFERRED CONTRIBUTIONS, CAPITAL ASSETS (note 12)	1,424,451	1,217,392
ASSET RETIREMENT OBLIGATION (note 15)	209,000	209,000
	<u>2,748,927</u>	<u>2,572,942</u>
NET ASSETS		
NET ASSETS (page 5)	403,896	308,668
	<u><u>\$ 3,152,823</u></u>	<u><u>2,881,610</u></u>

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF OPERATIONS

For the year ended March 31, 2020

	2020	2019
REVENUE		
Winnipeg Regional Health Authority	\$ 4,233,609	4,261,059
Resident charges	1,718,689	1,701,672
Offset income	29,653	13,269
Investment income	842	657
	<u>5,982,793</u>	<u>5,976,657</u>
EXPENSES		
Electricity	48,565	51,057
Health and education levy	79,408	81,445
Insurance	24,879	24,009
Interest	10,340	20,217
Medical remuneration	14,876	14,876
Medical supplies and equipment	95,538	87,938
Natural gas	26,706	26,550
Operational supplies and services	181,620	172,512
Other employee benefits	679,552	683,363
Other nursing expenses	4,034	8,429
Plant maintenance	78,720	96,908
Property taxes	16,374	15,016
Purchased services	961,120	937,168
Resident travel	13,234	9,322
Salaries	3,537,122	3,528,989
Water and waste	42,967	33,774
	<u>5,815,055</u>	<u>5,791,573</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR BEFORE OTHER ITEMS	<u>167,738</u>	<u>185,084</u>
OTHER ITEMS		
Amortization of deferred contributions	87,064	86,747
Amortization of capital assets	(89,569)	(158,701)
Amortization of asset retirement obligation (note 15)	(4,180)	(4,180)
Change in pension retirement obligation	(60,582)	(45,090)
	<u>(67,267)</u>	<u>(121,224)</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 100,471</u>	<u>63,860</u>

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF CHANGES IN NET ASSETS

March 31, 2020

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2020	TOTAL 2019
NET ASSETS (DEFICIT), beginning of year as previously reported	\$ 588,522	(162,814)	425,708	432,443
PRIOR PERIOD ADJUSTMENT (note 13)	<u>(117,040)</u>	<u>-</u>	<u>(117,040)</u>	<u>(112,860)</u>
NET ASSETS (DEFICIT), beginning of year as restated	471,482	(162,814)	308,668	319,583
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(6,685)	107,156	100,471	63,860
PRE-RETIREMENT REMEASUREMENT	-	(5,243)	(5,243)	(74,775)
TRANSFER (note 6)	13,569	(13,569)	-	-
NET ASSETS (DEFICIT), end of year	<u>\$ 478,366</u>	<u>(74,470)</u>	<u>403,896</u>	<u>308,668</u>

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

STATEMENT OF CASH FLOWS

For the year ended March 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 100,471	63,860
Adjustments for		
Amortization of capital assets	89,569	158,701
Amortization of asset retirement obligation	4,180	4,180
Net increase (decrease) in deferred contributions - capital assets	207,059	(30,727)
Net increase in deferred contributions - expenses of future periods	14,953	15,606
	<u>416,232</u>	<u>211,620</u>
Changes in non-cash working capital balances		
Accounts receivable	(3,036)	1,731
Restricted cash	(1,842)	(1,656)
Prepaid expenses	(297)	(816)
Pre-retirement entitlement receivable	(20,984)	133,203
Accounts payable and accrued liabilities	(134,396)	109,646
Resident trust payable	(2,470)	2,896
Accrued vacation payable	(3,374)	9,712
Accrued pre-retirement entitlement	20,984	(133,203)
	<u>270,817</u>	<u>333,133</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(307,692)	(75,053)
FINANCING ACTIVITIES		
Due to Winnipeg Regional Health Authority	(72,016)	(184,523)
Pre-retirement remeasurement	(5,243)	(74,775)
	<u>(77,259)</u>	<u>(259,298)</u>
NET DECREASE IN CASH POSITION	(114,134)	(1,218)
CASH POSITION (BANK INDEBTEDNESS), beginning of year	40,905	42,123
CASH POSITION (BANK INDEBTEDNESS), end of year	\$ (73,229)	40,905

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

1. ENTITY DEFINITION

The Convalescent Home of Winnipeg ("The Home") is incorporated under the laws of Manitoba and its principal activities include personal care of individuals who require long-term care. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Board of Directors of The Home administers the Benefit Fund under a "Declaration of Trust" for all present and future Residents of The Home and to further the objects of The Home. These financial statements present the financial position and results of operations of The Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - The Benefit Fund ("The Benefit Fund"). The Benefit Fund is the recipient of gifts, devices or bequests of money and shall be administered for the benefit of all Residents with respect to financing purchases outside the normal scope of the regular operation of The Home as may be authorized by the Board of Directors.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations which require 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 income and expenses during the reporting period. Actual results may differ from those estimates.

The safety measures to combat COVID-19 (Coronavirus) and the government response continue to evolve and change quickly. It is management's opinion that the Home has adequately adapted to the impact of this pandemic and will continue to maintain operations for the foreseeable future. Management is currently accessing government financial assistance programs for which it is eligible. While management will continue to monitor and evaluate the implications of the pandemic, it is difficult to predict the extent and duration this pandemic could have on the future finances and operations of the Home.

The significant accounting policies used in these financial statements are as follows:

Financial Instruments

The Home's financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Unless otherwise noted, it is management's opinion that The Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The Home's financial instruments consist of cash, accounts receivable, vacation entitlement receivable, short-term investments, pre-retirement entitlement receivable, restricted cash and investments, bank indebtedness, demand loan payable, accounts payable and accrued liabilities, Resident trust payable, accrued vacation payable, due to Winnipeg Regional Health Authority, callable debt, and accrued pre-retirement entitlement.

Transaction costs for the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. ACCOUNTING POLICIES (continued)

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout The Home's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject The Home to credit risk consist primarily of accounts receivable.

The Home's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2020	2019
Accounts receivable	\$ 635,621	338,053
Vacation entitlement receivable	171,526	171,526
Pre-retirement entitlement receivable	320,021	299,037
	<u>\$ 1,127,168</u>	<u>808,616</u>

Accounts receivable: The Home is not exposed to significant credit risk as the receivable is primarily from the WRHA and the remaining balances are spread among a broad client base and payment in full is typically collected when it is due. The Home establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Vacation entitlement receivable and pre-retirement entitlement receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the WRHA.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

The Home is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and The Home is not exposed to other price risk.

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. ACCOUNTING POLICIES (continued)

Capital Assets

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

Capital assets are amortized on a straight-line basis using the following rates:

Buildings	50 years
Roof replacement	15 years
Computer equipment	3 years
Computer software	3 years
Furniture - sun room	5 years
Furniture and equipment	5 years

Major Repairs and Equipment Replacement Reserve

The Home has established a reserve to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the WRHA.

Restricted Cash and Investments

Restricted cash and investment balances represent assets segregated for use for replacement reserves.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, The Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2020.

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

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

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

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

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

2. ACCOUNTING POLICIES (continued)

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

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

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

Revenue from residential and other services is recognized when the goods are sold or the service is provided and collection is reasonably assured.

Contributed Services

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

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Asset Retirement Obligation

An asset retirement obligation is recognized at the best estimate of the expenditure required to settle the present obligation at the balance sheet date when the liability for an asset retirement obligation is incurred and a reasonable estimate of the obligation is determinable. The best estimate of the asset retirement obligation is the present value of the amount the Home would rationally pay to settle the obligation, or transfer it to a third party, at the balance sheet date.

When a liability is recognized, a corresponding asset retirement cost is capitalized to the carrying amount of the related asset. The asset retirement cost is amortized over the estimated useful life of the related asset.

3. ACCOUNTS RECEIVABLE

	2020	2019
Receivable from residents	\$ 31,743	18,441
Other	8,335	23,968
GST receivable	11,846	6,479
	<u>\$ 51,924</u>	<u>48,888</u>

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

4. ACCRUED VACATION ENTITLEMENTS

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004, changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004, all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by The Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

5. RESTRICTED CASH

	2020	2019
Basic equipment reserve savings	\$ 90,026	89,380
Major repair reserve savings	19,395	19,260
Insurance deductible reserve savings	9,334	8,273
	<u>\$ 118,755</u>	<u>116,913</u>

6. CAPITAL ASSETS

	2020		2019 Restated	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 153,865	-	153,865	-
Building	3,506,248	1,645,848	3,212,507	1,543,049
Computer equipment	199,553	199,553	199,553	200,278
Computer software	55,313	55,313	55,313	55,313
Furniture - sun room	171,657	157,819	171,657	152,723
Furniture and equipment	1,258,495	1,174,781	1,244,544	1,188,202
	<u>5,345,131</u>	<u>3,233,314</u>	<u>5,037,439</u>	<u>3,139,565</u>
Cost less accumulated amortization	<u>\$ 2,111,817</u>		<u>1,897,874</u>	

Amortization of capital assets for the year ended March 31, 2020 is \$93,749 (2019 - \$162,881). A transfer from unrestricted net assets to net assets invested in capital assets has been made to reflect the net increase in capital assets after factoring in related borrowings and amortization of capital assets and deferred capital contributions.

7. BANK INDEBTEDNESS

The Home has a credit facility agreement with CIBC to a maximum limit of \$350,000. The facility is secured by a general security agreement on all of The Home's assets. Interest on advances is paid monthly at bank prime plus 0.5%, with repayment due on demand. As at March 31, 2020 the bank indebtedness balance was \$73,229 (2019 - \$Nil).

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Accounts payable - trade	\$ 287,061	240,967
Accrued property taxes	4,181	4,002
Accrued audit fees	15,750	13,750
Accrued salaries and other	23,608	202,510
Accounts payable - tenant deposits	17,579	21,346
	<u>348,179</u>	<u>482,575</u>

9. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

	2020	2019
Receivable from WRHA		
Pre-retirement leave	\$ 46,062	40,158
Constant care	840	840
Non-unionized salary increase - 2013/2014	24,540	24,540
Unionized salary increase - 2015/2016	5,858	5,858
Residential charges (non-global) - 2013/2014	20,354	20,354
Residential charges (non-global) - 2014/2015	14,222	14,222
Residential charges (non-global) - 2015/2016	92,227	92,227
Deficit funding - 2015/2016	90,000	90,000
20 Year Step Support - 2016/2017	8,047	8,047
Health care spending account accrual- 2017/2018	10,212	10,212
HEPP - COLA - 2017/2018	32,937	32,937
Residential charges (non-global) - 2017/2018	26,296	26,296
Health care spending account 2018/2019	-	6,856
Maternity leave top-up - 2018/2019	2,259	2,259
Residential charges (non-global) - 2018/2019	240,159	240,159
20 Year Step Support - 2019/2020	5,485	-
Maternity leave top-up - 2019/2020	12,602	-
Health care spending account 2019/2020	7,747	-
Residential charges (non-global) - 2019/2020	47,593	-
Other	14,327	14,786
Total receivable from WRHA	<u>701,767</u>	<u>629,751</u>
Payable to WRHA		
Residential charges (non-global) - 2016/2017	118,070	118,070
Advances	222,516	222,516
Total payable to WRHA	<u>340,586</u>	<u>340,586</u>
Net due (to) from WRHA	<u>\$ 361,181</u>	<u>289,165</u>

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

10.EMPLOYEE FUTURE BENEFITS

Accrued Retirement Entitlement

Based upon collective agreements and/or non-union policy, employees of The Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

- a) has 10 years service and has reached the age of 55
- b) qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- c) retires at or after age 65
- d) terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2020. The significant actuarial assumptions adopted in measuring The Home's accrued retirement entitlements include retirement, termination, and mortality rates, a discount rate of 3.25% and a rate of salary increase of 3.50% plus age related merit/promotion scale with a provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to The Home an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/2007, The WRHA assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

Pension Plan

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

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Contributions to the Plan made during the year by The Home on behalf of its employees amounted to \$281,027 (2019 - \$283,305) and are included in the statement of operations.

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

11. COMMITMENTS AND CONTINGENCIES

- a) The nature of the health care industry is such that there may be litigation pending or in process at any time. As at March 31, 2020, no litigation is in process. With respect to potential claims at March 31, 2020, management believes The Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on The Home's financial position.
- b) On July 1, 1987, a group of health care organizations ("subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2020.

12. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statements of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2020	2019
Balance, beginning of year	\$ 1,217,392	1,248,119
Contributions - Winnipeg Regional Health Authority	15,865	98,728
Fire system upgrade advances	-	(22,568)
Emergency generator loan principal reductions	-	(38,765)
Window replacement loan principal reductions	-	(15,235)
Roof replacement loan principal reductions (net of advances)	-	33,860
Roof replacement phase 2 advance	140,551	-
Window replacement advance	137,707	-
Less amounts amortized to revenue	(87,064)	(86,747)
Balance, end of year	<u>\$ 1,424,451</u>	<u>1,217,392</u>

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

12. DEFERRED CONTRIBUTIONS (continued)

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment replacement, major repairs and insurance deductibles.

	2020	2019
Reserve for basic equipment		
Balance, beginning of year	\$ 103,485	88,879
Contributions - Winnipeg Regional Health Authority	13,950	14,606
Balance, end of year	<u>117,435</u>	<u>103,485</u>
Reserve for major repairs		
Balance, beginning of year	19,147	19,147
Balance, end of year	<u>19,147</u>	<u>19,147</u>
Reserve for insurance deductible		
Balance, beginning of year	8,231	7,231
Contributions - Winnipeg Regional Health Authority	1,003	1,000
Balance, end of year	<u>9,234</u>	<u>8,231</u>
Total deferred contributions - expenses of future periods	<u>\$ 145,816</u>	<u>130,863</u>

The debt that has been incorporated in deferred contributions includes the following:

	2020	2019
Province of MB - emergency generator loan, bearing interest at 2.45% per annum, maturing March 2023	\$ 65,748	65,748
Province of MB - window replacement loan, bearing interest at 2.65% per annum, maturing March 2025	74,605	74,605
Province of MB - roof replacement loan, bearing interest at 2.45% per annum, maturing September 2025	188,491	148,632
Province of MB - fire system upgrade and roof replacement loan, bearing interest at 2.75% per annum, maturing March 2027	288,349	187,657
	<u>\$ 754,900</u>	<u>476,642</u>

These loans are secured by a security agreement granting a first security interest in all present and after acquired personal property, and by a present and future collateral mortgage.

The accompanying notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG

NOTES TO FINANCIAL STATEMENTS

March 31, 2020

13. PRIOR PERIOD ADJUSTMENT

As a result of an asbestos study performed on the building located at 276 Hugo Street in early 2020, it was determined that there were asbestos materials present in the basement and sporadically throughout the entire building. Under current laws, the Home has a duty to remediate this issue in the event of disposal of the building. A prior period adjustment has been made in the financial statements to capitalize the asset retirement cost and record the corresponding asset retirement obligation in the amount of \$209,000. In addition a prior period adjustment has been made to the opening balances at April 1, 2018 to reflect the accumulated amortization in the amount of \$112,860 on the asset retirement cost that should have been recorded to date (had the liability been previously known and recorded in the Home's financial records). As a result of this prior period adjustment, opening net assets at April 1, 2018 have decreased from 432,443 to \$319,583 and amortization expense in the 2019 comparative figures has increased by \$4,180.

14. ECONOMIC DEPENDENCE

The Home is economically dependent upon government and other agencies for funding its operations.

15. ASSET RETIREMENT OBLIGATION

As a result of an asbestos study performed on the building located at 276 Hugo Street in early 2020 (as described in Note 13 above), it was determined that there were asbestos materials present in the basement and sporadically throughout the entire building. Under current laws, the Home has a duty to remediate this issue in the event of disposal of the building. As of March 31, 2020, the Home has accrued \$209,000 (2019 – \$209,000) reflecting the liability for the asset retirement obligation related to asbestos. A corresponding amount was capitalized as an asset retirement cost and added to the carrying value of the building.

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year presentation.

The accompanying notes are an integral part of these financial statements.