

**DONWOOD MANOR PERSONAL CARE HOME INC.**

**INDEPENDENT AUDITOR'S REPORT**

**FINANCIAL STATEMENTS**

**MARCH 31, 2020**

**DONWOOD MANOR PERSONAL CARE HOME INC.**

**MARCH 31, 2020**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Donwood Manor Personal Care Home Inc.:

### Opinion

We have audited the accompanying financial statements of Donwood Manor Personal Care Home Inc., which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 Donwood Manor Personal Care Home Inc. as at March 31, 2020, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

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  
June 8, 2020**

Fort Group  
**CHARTERED PROFESSIONAL  
ACCOUNTANTS INC.**

**DONWOOD MANOR PERSONAL CARE HOME INC.  
STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2020**

	<b>ASSETS</b>	
	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Resident trust bank	\$ 18,421	43,762
Accounts receivable (Note 3)	21,208	67,355
Due from Winnipeg Regional Health Authority ("WRHA") (Note 8)	21,698	299,136
Due from Province of Manitoba (Note 10)	188,317	
Prepaid expenses	5,792	11,991
Inventories	35,537	36,768
Due from related parties (Note 4)	51,319	120,457
	342,292	579,469
<b>VACATION ENTITLEMENT RECEIVABLE</b> (Note 5)	273,524	273,524
<b>PRE-RETIREMENT ENTITLEMENT RECEIVABLE</b> (Note 15)	401,901	416,361
<b>RESTRICTED DEPOSITS - EXPENSES OF FUTURE PERIODS</b>	44,216	80,168
<b>CAPITAL ASSETS</b> (Note 6)	4,177,906	<u>4,472,512</u>
	\$ <u>5,239,839</u>	<u>5,822,034</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank indebtedness (Note 7)	\$ 64,577	454,291
Accounts payable and accruals	306,888	365,424
Resident trust payable	17,370	17,151
Accrued vacation entitlements (Note 5)	429,994	418,332
Current portion of long-term debt (Note 9)	21,873	53,684
Province of Manitoba demand loans (Note 10)	446,603	258,286
	1,287,305	1,567,168
<b>LONG-TERM DEBT</b> (Note 9)		17,982
<b>DEFERRED CONTRIBUTIONS</b> (Note 11)		
Expenses of future periods	3,621	
Capital assets	3,797,774	4,036,817
<b>ACCRUED RETIREMENT OBLIGATIONS</b> (Note 15)	401,901	416,361
	5,490,601	6,038,328
<b>COMMITMENTS AND CONTINGENCIES</b> (Note 13)		
<b>NET ASSETS</b>		
<b>DEFICIENCY IN NET ASSETS</b>		
Unrestricted net deficiency	(363,685)	(334,986)
Invested in capital assets (Note 12)	<u>112,923</u>	<u>118,692</u>
	<u>(250,762)</u>	<u>(216,294)</u>
	\$ <u>5,239,839</u>	<u>5,822,034</u>

Approved on behalf of the Board

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Director

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Director

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2020**

	<u>Budget</u>	<u>2020</u>	<u>2019</u>
	(Unaudited)		
<b>REVENUE</b>			
Winnipeg Regional Health Authority (Note 14)	\$ 6,003,316	6,373,744	6,447,930
Province of Manitoba (Note 10)	-	188,317	-
Residential charges	2,530,316	2,559,845	2,426,086
Amortization of deferred contributions related to capital assets (Note 11)	-	308,157	352,268
Recoveries (Note 4)	570,205	675,324	644,985
Contributed services - value in kind (Note 2 (e))	-	47,333	58,164
Interest income	-	568	557
Grants from Donwood Manor Foundation Inc. (Note 4)	-	115,183	-
Other income	<u>12,000</u>	<u>123,549</u>	<u>98,075</u>
	<u>9,115,837</u>	<u>10,392,020</u>	<u>10,028,065</u>
<b>EXPENSES</b>			
Operating costs (Schedule)	8,814,048	10,065,229	9,616,081
Amortization of capital assets	-	313,926	359,806
Contributed services (Note 2 (e))	<u>-</u>	<u>47,333</u>	<u>58,164</u>
	<u>8,814,048</u>	<u>10,426,488</u>	<u>10,034,051</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEMS</b>	<u>301,789</u>	<u>(34,468)</u>	<u>(5,986)</u>
<b>OTHER ITEMS</b>			
WRHA funding accrued	-	(14,460)	(89,954)
Liability for the year	<u>-</u>	<u>14,460</u>	<u>89,954</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<u>\$ 301,789</u>	<u>(34,468)</u>	<u>(5,986)</u>

**DONWOOD MANOR PERSONAL CARE HOME INC.  
STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED MARCH 31, 2020**

	<u>INVESTED IN CAPITAL ASSETS</u>	<u>UNRESTRICTED</u>	<u>Total 2020</u>
NET ASSETS (DEFICIT), beginning of year	\$ 118,692	(334,986)	(216,294)
DEFICIENCY OF REVENUE OVER EXPENSES	<u>(5,769)</u>	<u>(28,699)</u>	<u>(34,468)</u>
NET ASSETS (DEFICIT), end of year	<u>\$ 112,923</u>	<u>(363,685)</u>	<u>(250,762)</u>

	<u>INVESTED IN CAPITAL ASSETS</u>	<u>UNRESTRICTED</u>	<u>Total 2019</u>
NET ASSETS (DEFICIT), beginning of year	\$ 126,230	(336,538)	(210,308)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>(7,538)</u>	<u>1,552</u>	<u>(5,986)</u>
NET ASSETS (DEFICIT), end of year	<u>\$ 118,692</u>	<u>(334,986)</u>	<u>(216,294)</u>

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**STATEMENT OF CASH FLOW**  
**YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
<b>OPERATING ACTIVITIES</b>		
Deficiency of revenue over expenses	\$ (34,468)	(5,986)
Adjustments for non-cash items:		
Amortization of capital assets	313,926	359,806
Amortization of deferred contributions - Capital assets	<u>(308,157)</u>	<u>(352,268)</u>
	(28,699)	1,552
Changes in non-cash working capital balances:		
Accounts receivable	46,147	2,561
Due from WRHA	277,438	(226,839)
Due from Province of Manitoba	(188,317)	-
Prepaid expenses	6,199	5,106
Inventories	1,231	2,699
Accounts payable and accrued liabilities	(58,536)	(140,004)
Vacation entitlements accrued	11,662	3,142
Increase (decrease) in resident trust account	<u>219</u>	<u>(2,754)</u>
	<u>67,344</u>	<u>(354,537)</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from deferred contributions	69,114	144,898
Repayment of long-term debt	(49,793)	(368,246)
Proceeds from Province of Manitoba demand loans	188,317	258,286
Increase (decrease) in bank indebtedness	(389,714)	343,920
Deferred contributions - expenses of future periods, net	<u>3,621</u>	<u>(45,543)</u>
	<u>(178,455)</u>	<u>333,315</u>
<b>INVESTING ACTIVITIES</b>		
Collection of amounts due from related parties, net	69,138	62,928
Acquisition of capital assets	(19,320)	(39,487)
Decrease in resident trust bank	25,341	1,914
Decrease (increase) in restricted deposits - expenses of future periods	<u>35,952</u>	<u>(4,133)</u>
	<u>111,111</u>	<u>21,222</u>
<b>CHANGE IN CASH</b>	-	-
<b>CASH, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>
<b>CASH, END OF YEAR</b>	<u>\$ -</u>	<u>-</u>



**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**1. ACCOUNTING ENTITY**

Donwood Manor Personal Care Home Inc. (the "Home") changed its name effective June 3, 1997. Previously it was known as the Mennonite Brethren Geriatric Association of Metro Winnipeg Inc., which was incorporated on February 13, 1969. The Home continues to provide residential care and has retained its registration as a charitable organization.

Effective April 1, 1999, government funding is primarily provided by the Winnipeg Regional Health Authority (the "WRHA") through a service purchase agreement. The WRHA is responsible for the overall planning and integration of services to the region and the appropriate allocation of funding to Winnipeg's hospitals, community based health services, long-term care services, health promotion and disease prevention services.

The Home is a member of the Donwood Group of Companies (the "Group") which operates under the control of a common Board of Directors and provides long-term care and assisted living services to senior citizens in Winnipeg. Other entities in the Group include Donwood Manor EPH Inc., Donwood South Inc., Winnipeg Condominium Corporation No. 297 and Donwood West Inc.

Also related to the Group is the Donwood Manor Foundation Inc. and its related entities, Valhalla Cove Inc. and Donwood Management Inc. by virtue of overlapping board membership and management.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. An underlying assumption of the preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations is that the Home will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

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 financial statements include the following significant accounting policies:

**(a) 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 thereto, the Home is funded primarily through the WRHA by the Province of Manitoba in accordance with budget arrangement established by the WRHA. 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 relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect discussions with the WRHA with respect to the year ended March 31, 2020.

**DONWOOD MANOR PERSONAL CARE HOME INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(a) Revenue recognition (Continued)**

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 as follows:

i) 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 dated March 6, 2002.

ii) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year or 2% of the global budget indicated in its funding letter from the WRHA for any such fiscal year. Any surplus beyond the foregoing levels shall be repaid to the WRHA on demand.

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 incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenditures are incurred. 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 if collection is reasonably assured.

**(b) 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 expenditures. 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 terms:

	<u>Method</u>	<u>Rate</u>
Buildings	Straight line	40 years
Furniture and equipment	Straight line	3 - 10 years

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) 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 resident trust bank, bank indebtedness, accounts receivable, due from Winnipeg Regional Health Authority, due from related parties, vacation and pre-retirement entitlement receivable, accounts payable and accrued liabilities, resident trust payable, accrued vacation entitlement payable, demand loan, long-term debt, resident deposits, and restricted deposits.

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 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.

**(d) Inventories**

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

**(e) Contributed services**

A substantial number of volunteers contribute a significant amount of volunteer time each year directly related to the care and well-being of the residents. The fair value of the hours provided to the Home have been estimated by Management and recorded in the statement of operations.

**(f) Employee future benefits**

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.

The Home accounts for all future employee benefits on defined contributions basis and all pension payments are recognized in the statement of operations in the year in which they are incurred.

**(g) Use of estimates**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates included in these financial statements are included in the determination of the useful lives of capital assets, accrued vacation and pre-retirement entitlements and accrued retirement obligations. Actual results could differ from these estimates.

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(g) Use of estimates**

Contained within these financial statements is a \$188,317 receivable due from the Province of Manitoba which represents management's estimate of future funding receivable from the Province of Manitoba related to the principal and interest payments on the roof repair demand loan disclosed in note 10.

**(h) 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.

**3. ACCOUNTS RECEIVABLE**

	<u>2020</u>	<u>2019</u>
Residential rents receivable	\$ 228	16,176
Other accounts receivable	335	13,649
GST rebate receivable	<u>20,645</u>	<u>37,530</u>
	<u>\$ 21,208</u>	<u>67,355</u>

**4. DUE FROM RELATED PARTIES**

	<u>2020</u>	<u>2019</u>
Due from Donwood Manor EPH Inc.	\$ 20,269	8,985
Due from Donwood South Inc.	4,884	17,653
Due from Donwood Manor Foundation Inc.	2,344	35,629
Due from Valhalla Cove Inc.	1,743	16,952
Due from Donwood Management Inc.	16,157	19,406
Due from Winnipeg Condominium Corporation No. 297	<u>5,922</u>	<u>21,832</u>
	<u>\$ 51,319</u>	<u>120,457</u>

Amounts due from related parties are unsecured and non-interest bearing with no specific terms of repayment.

Administrative salaries allocations of \$238,464 (2019 - \$197,549) and information technology costs of \$6,444 (2019 - \$6,480) are charged to other related Donwood companies. During the year, the Donwood Manor Foundation Inc. provided a \$115,183 grant to the Home in order to fund spiritual care, resident care and recreation costs.

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

**5. 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.

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**6. CAPITAL ASSETS**

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Land	\$ 15,000	-	15,000	-
Buildings	9,476,211	5,799,724	9,476,211	5,587,538
Furniture and equipment	<u>2,686,769</u>	<u>2,200,350</u>	<u>2,667,449</u>	<u>2,098,610</u>
	<u>\$12,177,980</u>	<u>8,000,074</u>	<u>12,158,660</u>	<u>7,686,148</u>
Net book value	\$ <u>4,177,906</u>		<u>4,472,512</u>	

**7. BANK INDEBTEDNESS**

As at March 31, 2020, the Home has accessed \$46,320 (2019 - \$96,657) of its approved line of credit of \$500,000 with the Royal Bank of Canada with the remaining indebtedness balance being outstanding cheques in excess of outstanding deposits and other cash balances. The line of credit is secured by a general assignment of book debts and bears interest at prime.

**8. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY**

	<u>2020</u>	<u>2019</u>
2014/2015 funding adjustment	29,346	36,034
2015/2016 funding adjustment	(199,589)	(201,931)
2016/2017 funding adjustment	(4,382)	1,801
2017/2018 funding adjustment	(69,829)	65,135
2018/2019 funding adjustment	121,271	398,097
2019/2020 funding adjustment	<u>144,881</u>	<u>-</u>
	<u>\$ 21,698</u>	<u>299,136</u>

**9. LONG-TERM DEBT**

	<u>2020</u>	<u>2019</u>
CMHC loan	21,873	71,666
Less: current portion	<u>(21,873)</u>	<u>(53,684)</u>
	<u>\$ -</u>	<u>17,982</u>

The CMHC loan bears interest at 7.875% is and payable in monthly blended payments of \$4,469 and matures August 1, 2020.

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**10. DEMAND LOANS**

	<u>2020</u>	<u>2019</u>
Province of Manitoba promissory note on emergency generator with interest at 2.45%, requiring monthly payments of principal and interest of \$1,072, commencing April 30, 2020 and maturing March 31, 2023.	\$ 37,163	37,163
Province of Manitoba promissory note on roof repair project with interest at 2.90%, requiring monthly payments of principal and interest of \$1,810, commencing April 30, 2020 and maturing March 31, 2030.	188,317	-
Province of Manitoba promissory note on fire panel replacement with interest at 2.75%, requiring monthly payments of principal and interest of \$2,897, commencing April 30, 2020 and maturing March 31, 2027.	<u>221,123</u>	<u>221,123</u>
	<u>\$ 446,603</u>	<u>258,286</u>

The above loans owing to the Province of Manitoba are repayable on demand and as such have been classified as current on the Statement of Financial Position.

**11. DEFERRED CONTRIBUTIONS**

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ -	45,543
Add: amount received during the year	3,621	3,621
Less: expenditures for the year	<u>-</u>	<u>(49,164)</u>
Balance, end of year	<u>\$ 3,621</u>	<u>-</u>

Deferred capital 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 statement of operations.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 4,036,817	4,244,187
Add: Winnipeg Regional Health Authority contributions	63,973	144,898
Add: Donwood Manor Foundation Inc. contributions	5,141	-
Less: amounts amortized to revenue	<u>(308,157)</u>	<u>(352,268)</u>
Balance, end of year	<u>\$ 3,797,774</u>	<u>4,036,817</u>

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**12. INVESTMENT IN CAPITAL ASSETS**

Investment in capital assets is calculated as follows:

	<u>2020</u>	<u>2019</u>
Capital assets	\$ 4,177,906	4,472,512
Less: amounts financed by deferred contributions	(3,797,774)	(4,036,817)
Less: amounts financed by long-term debt	(280,159)	(329,952)
Funds received in excess of capital assets acquired	<u>12,950</u>	<u>12,949</u>
	<u>\$ 112,923</u>	<u>118,692</u>

Change in net assets invested in capital assets is calculated as follows:

	<u>2020</u>	<u>2019</u>
Amortization of deferred contributions	\$ 308,157	352,268
Amortization of capital assets	(313,926)	(359,806)
Amounts repaid during the year	49,793	116,531
Mortgage repayments funded by WRHA	<u>(49,793)</u>	<u>(116,531)</u>
	<u>\$ (5,769)</u>	<u>(7,538)</u>

**13. COMMITMENTS AND CONTINGENCIES**

a) The nature of the Home's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2020, management believes the Home has valid defences and appropriate insurance coverage in place or has made sufficient provision for any uninsured payments to be made. 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.

The Home is a named insured under the WRHA policy with HIROC.

**DONWOOD MANOR PERSONAL CARE HOME INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2020**

**14. REVENUE FROM THE WINNIPEG REGIONAL HEALTH AUTHORITY**

WRHA revenue per final funding report	<u>\$ 6,070,572</u>
Add:	
Immunization funding	156
Pre-retirement leave funding	60,017
Health care spending account	26,087
Current change in pre-retirement liability	-
Pension plan cost of living adjustment	57,824
20-year step	15,086
1:1 overcost constant care funding	171,986
Capital funding	<u>49,622</u>
	<u>380,778</u>
Less:	
Principal repayment	(49,793)
Influenza funding deferred	(120)
Reserve for major repairs	(3,621)
Reserve for insurance	(1,500)
Residential charges repayable	<u>(22,572)</u>
	<u>(77,606)</u>
Revenue from WRHA	<u>\$ 6,373,744</u>

**15. EMPLOYEE FUTURE BENEFITS**

*Accrued Pre-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; or
- c) retires at or after age 65.



**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**15. EMPLOYEE FUTURE BENEFITS (Continued)**

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, mortality rates, a discount rate of 3.50% (2019 - 3.00%) and a rate of salary increase of 3.50% (2019 - 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 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.

	<u>2020</u>	<u>2019</u>
Employee future benefits are recoverable from:		
Manitoba Health	\$ 372,737	372,737
WRHA	<u>29,164</u>	<u>43,624</u>
	<u>\$ 401,901</u>	<u>416,361</u>

*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" or "HEPP") 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. The most recent actuarial valuation of the Plan as at December 31, 2016 indicates that the plan's assets exceed its estimated liabilities and therefore the Plan is in a surplus position. However, the valuation also indicates that a solvency deficiency does exist for the Plan. The Manitoba Pension Commission confirmed that the Plan does not have to fund the solvency deficiency, but has to monitor and disclose this deficiency as well as continue to perform solvency valuations. The HEPP board continues to monitor the Plan's financial progress in order to align the assets and liabilities based on Plan experience and investment returns over the long term.

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**15. EMPLOYEE FUTURE BENEFITS (Continued)**

The Home has fully met its obligations and has fully paid the required premiums. Contributions to the plan made during the year by the Home on behalf of its employees amounted to \$526,518 (2019 - \$505,123) and are included in the statement of operations.

**16. FUNDING OF FUTURE EMPLOYEE BENEFITS**

Effective April 1, 2004, Manitoba Health directed all health care facilities (including non-profit personal care Homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of these future employee benefits would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable for the fiscal years ending March 31, 2005 and 2006.

For the fiscal years ending March 31, 2007-2012, the WRHA has agreed to fund the change in pre-retirement leave and as such, the receivable has been adjusted to reflect this.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA. For the fiscal year ending March 31, 2020, the unfunded portion of future employee benefits amounts to \$Nil (2019 - \$Nil).

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care Homes (including Donwood Manor PCH).

**17. CAPITAL MANAGEMENT**

The Home considers its capital to include its Unrestricted Net Assets and Invested in Capital Assets balances. There have been no changes to what the Home considers to be its capital since the previous period.

As a not-for-profit entity, the Home's operations are reliant on revenues generated annually. The Home has accumulated a deficit over its history, which are included in the unrestricted net assets in the statement of financial position.

The Home is currently endeavoring to eliminate this accumulated deficit and return to a position which would enable it to more adequately fund its working capital requirements.

**18. FINANCIAL RISK MANAGEMENT**

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 principally of accounts receivable.

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2020**

**18. FINANCIAL RISK MANAGEMENT (Continued)**

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

	<u>2020</u>	<u>2019</u>
Accounts receivable - excluding GST rebate	\$ 563	29,825
Due from related parties	51,319	120,457
Due from the WRHA	21,698	299,136
Vacation entitlements receivable	273,524	273,524
Retirement obligations receivable	<u>401,901</u>	<u>416,361</u>
	<u>\$ 749,005</u>	<u>1,139,303</u>

Accounts receivable: The Home is not exposed to significant credit risk as the receivable is 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.

Due from related parties: The Home is not exposed to significant credit risk as these receivables are spread over several entities, all of which generate cash flows from active operations.

Due from the WRHA, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Winnipeg Regional Health Authority.

*Market risk*

Market risk is the risk 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*

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.

*Foreign exchange risk*

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 is minimal.

**19. COMPARATIVE FIGURES**

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

**DONWOOD MANOR PERSONAL CARE HOME INC.**  
**SCHEDULE OF OPERATING COSTS**  
**YEAR ENDED MARCH 31, 2020**

	<u>BUDGET</u> (Unaudited)	<u>2020</u>	<u>2019</u>
<b><u>Salaries</u></b>			
Nursing salaries	\$ 4,183,184	4,542,817	4,378,852
Special services	190,542	196,337	191,655
General services (Note 4)	<u>1,759,942</u>	<u>1,847,781</u>	<u>1,839,051</u>
	6,133,668	6,586,935	6,409,558
<b><u>Employee Benefits</u></b>			
Canada Pension Plan	249,955	277,804	273,021
Employment Insurance	123,475	122,263	129,903
Registered pension	539,926	520,839	505,123
Health and education levy	131,011	140,107	139,940
Workers Compensation Insurance	71,142	70,866	74,611
Dental plan insurance	48,230	46,174	45,688
Group life insurance	50,658	12,930	13,521
Group health care	53,285	53,087	52,673
Disability and rehabilitation	139,572	126,757	120,304
Employee assistance program	7,224	33,384	30,005
Pre-retirement leave	<u>-</u>	<u>51,946</u>	<u>142,177</u>
	1,414,478	1,456,157	1,526,966
<b><u>Medical Supplies</u></b>			
Medical / surgical supplies	62,016	87,170	93,064
Incontinence supplies	58,500	81,192	64,864
Hygiene supplies	10,000	23,479	19,865
Other supplies and expenses	<u>-</u>	<u>6,749</u>	<u>20,101</u>
	130,516	198,590	197,894
<b><u>Physical Plant</u></b>			
Natural gas	65,000	47,878	49,629
Water and sewer	49,500	56,474	60,518
Electricity	95,680	124,684	115,197
Insurance - property	20,500	23,444	23,773
Property taxes	42,545	47,783	45,967
Security and fire	15,000	20,975	45,577
Maintenance	<u>100,894</u>	<u>477,595</u>	<u>294,646</u>
	<u>389,119</u>	<u>798,833</u>	<u>635,307</u>
<b><u>Other Operating Expenses</u></b>			
Insurance - liability	4,000	6,744	5,853
Professional fees	29,996	38,110	18,500
IT expenses (Note 4)	57,406	44,831	30,931
Bank charges and interest	7,000	11,078	14,887
Consulting	1,500	57,721	69,623
Office and miscellaneous expenses	67,100	112,464	125,565
Resident transportation	15,900	16,651	20,427
Recreation therapy / volunteer	8,196	31,691	4,390
Food services supplies	507,005	547,025	492,347
Laundry and linen supplies	21,156	22,238	15,930
Housekeeping supplies	27,008	52,282	47,903
Spiritual care	<u>-</u>	<u>83,879</u>	<u>-</u>
	<u>746,267</u>	<u>1,024,714</u>	<u>846,356</u>
Total Operating Costs	<u>\$ 8,814,048</u>	<u>10,065,229</u>	<u>9,616,081</u>