

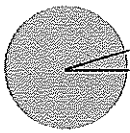


**LIONS HOUSING
CENTRES**

LHC PERSONAL CARE HOME INC.

Financial Statements

March 31, 2021



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of LHC Personal Care Home Inc.

Opinion

We have audited the financial statements of LHC Personal Care Home Inc. (the Organization), which comprise the statement of financial position as at March 31, 2021, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 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 ASNPO, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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:

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Independent Auditor's Report to the Board of Directors of LHC Personal Care Home Inc. *(continued)*

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

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



Chartered Professional Accountants
1515 One Lombard Place
Winnipeg MB R3B 0X3
August 3, 2021

LHC PERSONAL CARE HOME INC.
Statement of Financial Position
March 31, 2021

	2021	2020
ASSETS		
CURRENT		
Cash	\$ 200,253	\$ 313,852
Accounts receivable - residents	18,346	33,500
Accounts receivable - other	8,537	8,454
Prepaid expenses	4,751	8,955
Due from related parties (Note 6)	305,741	255,814
Due from Winnipeg Regional Health Authority (Note 7)	309,524	10,087
Vacation entitlement receivable	138,650	138,650
	<u>985,802</u>	769,312
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (Note 3)	237,100	216,553
CAPITAL ASSETS (Note 4)	6,468,187	6,591,846
RESTRICTED CASH - RESIDENT TRUST	19,472	19,204
RESTRICTED CASH - RESERVE FUND	124,377	178,516
	<u>\$ 7,834,938</u>	<u>\$ 7,775,431</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 153,090	\$ 71,268
Due to related parties (Note 6)	1,330	216
Accrued vacation, statutory and overtime	458,948	421,426
	<u>613,368</u>	492,910
RESIDENT TRUST PAYABLE	18,722	18,478
ACCRUED PRE-RETIREMENT ENTITLEMENT (Note 3)	237,100	237,100
DEFERRED CONTRIBUTIONS (Note 8)	5,451,874	5,654,957
	<u>6,321,064</u>	6,403,445
NET ASSETS	<u>1,513,874</u>	1,371,986
	<u>\$ 7,834,938</u>	<u>\$ 7,775,431</u>

ON BEHALF OF THE BOARD

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Original Document Signed Director

LHC PERSONAL CARE HOME INC.
Statement of Operations
Year Ended March 31, 2021

	2021	2020
REVENUES		
Winnipeg Regional Health Authority	\$ 6,734,978	\$ 6,122,048
Resident charges	2,391,667	2,323,878
Province of Manitoba	438,382	-
Other	71,413	98,024
	<u>9,636,440</u>	<u>8,543,950</u>
EXPENDITURES		
Accrued vacation, statutory and overtime	132,651	28,835
Bad debts	-	5,680
Covid-19 incremental costs (Note 13)	680,826	6,327
Electricity	183,921	175,091
Health and education levy	116,673	113,219
Insurance	29,949	26,163
Medical remuneration	21,624	20,274
Medical supplies and equipment	156,725	173,649
Natural gas	43,811	42,331
Operational supplies and services	187,568	199,927
Other employee benefits	966,948	954,282
Other nursing expenses	13,286	11,588
Plant maintenance	71,563	95,969
Pre-retirement payout	17,854	10,097
Professional fees	27,073	21,612
Property taxes	85,800	85,680
Purchased meals	1,083,576	1,077,528
Resident travel	8,984	5,534
Salaries	5,205,840	5,293,224
Visitation Centre incremental costs	326,496	-
Water and waste	74,360	89,245
Workers Compensation premiums	59,024	52,379
	<u>9,494,552</u>	<u>8,488,634</u>
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>141,888</u>	<u>55,316</u>
OTHER ITEMS		
Amortization of capital assets	(395,257)	(371,620)
Amortization of deferred contributions	395,257	371,620
	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 141,888</u>	<u>\$ 55,316</u>

LHC PERSONAL CARE HOME INC.
Statement of Changes in Net Assets
Year Ended March 31, 2021

	2021	2020
NET ASSETS - BEGINNING OF YEAR		
As previously reported	\$ 1,385,134	\$ 1,316,670
Prior period adjustments <i>(Note 9)</i>	<u>(13,148)</u>	<u>-</u>
As restated	1,371,986	1,316,670
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>141,888</u>	<u>55,316</u>
NET ASSETS - END OF YEAR	<u>\$ 1,513,874</u>	<u>\$ 1,371,986</u>

LHC PERSONAL CARE HOME INC.
Statement of Cash Flows
Year Ended March 31, 2021

	2021	2020
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 141,888	\$ 55,316
Items not affecting cash:		
Amortization of capital assets	395,257	371,620
Change in deferred contributions	(203,083)	(431,345)
	<u>334,062</u>	<u>(4,409)</u>
Changes in non-cash working capital:		
Accounts receivable	15,071	(17,190)
Prepaid expenses	4,204	(3,559)
Accounts payable and accrued liabilities	81,823	23,661
Accrued vacation, statutory and overtime	37,522	28,834
Pre-retirement entitlement receivable	(76,458)	-
	<u>62,162</u>	<u>31,746</u>
Cash flow from operating activities	<u>396,224</u>	<u>27,337</u>
INVESTING ACTIVITY		
Purchase of capital assets	<u>(271,598)</u>	<u>(8,167)</u>
FINANCING ACTIVITIES		
Advances to related parties	(48,814)	(292,452)
Advances from (repayments to) Winnipeg Regional Health Authority	(299,437)	(244,401)
Increase in resident trust payable	244	419
Decrease in restricted funds	53,871	34,578
Increase in accrued pre-retirement entitlement payable	55,911	-
	<u>(238,225)</u>	<u>(501,856)</u>
Cash flow used by financing activities	<u>(238,225)</u>	<u>(501,856)</u>
DECREASE IN CASH FLOW	(113,599)	(482,686)
CASH - BEGINNING OF YEAR	<u>313,852</u>	<u>796,538</u>
CASH - END OF YEAR	\$ 200,253	\$ 313,852

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2021

1. ENTITY DEFINITION

LHC Personal Care Home Inc. ("Organization") is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The Organization is principally involved in providing licensed personal care services to 116 residents, operating under a services purchase agreement with the Winnipeg Regional Health Authority ("WRHA"). As the entity is a not-for-profit organization, it is exempt from income taxes under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Financial instruments policy

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 amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. There has been no change in this risk assessment from the prior year.

The Organization's financial instruments consist of cash, accounts receivable, due to/from related parties, vacation entitlement receivable, pre-retirement entitlement receivable, accounts payable and accrued liabilities, resident trust payable, accrued vacation payable, due to/from WRHA, and accrued pre-retirement entitlement.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs and replacement of furniture and equipment 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 Organization's ability to provide services, its carrying amount is written down to its net realizable value.

Capital assets are amortized over their estimated useful lives at the following rates and methods:

Land improvements	10%	straight-line method
Buildings	2.5%	straight-line method
Computer hardware and software	33%	straight-line method
Furniture, fixtures and equipment	10%	straight-line method

The Organization regularly reviews its capital assets to eliminate obsolete items.

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LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

LHC Personal Care Home Inc. follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Organization is funded primarily by the 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, 2021.

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

1. Deficits - The WRHA shall not be responsible for past or future deficits of the Organization 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 Organization other than those set forth in the service purchase agreement.

2. Surpluses - The Organization may unconditionally retain the greater of 50% of its insured services supplied 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.

Unrestricted contributions and pledges 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 and pledges restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributed services

The operations of the Organization depend on the contribution of time by volunteers. The fair value of donated services cannot be reasonably determined and is therefore not reflected in these financial statements.

Employee future benefits

Substantially all of the employees of the Organization are members of a defined benefit pension plan as described in note 11. As it is a multi-employer plan, insufficient information is available to account for the plan using defined benefit plan accounting standards. Therefore, the plan is accounted for using defined contribution plan accounting standards.

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LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WRHA

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the benefits recoverable and payable are classified as long-term debt whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations is capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The Province of Manitoba has guaranteed to the WRHA, and through it to the Organization, the outstanding receivable as at March 31, 2004, which will be paid when required. Any change in the liability amount will be reflected as a current year expenditure on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. The accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

4. CAPITAL ASSETS

	2021		2020	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Land	\$ 189,282	\$ -	\$ 189,282	\$ -
Land improvements	17,289	17,289	17,289	17,289
Buildings	12,332,933	6,471,436	12,332,933	6,161,647
Furniture, fixtures and equipment	1,969,271	1,551,863	1,697,673	1,466,395
	\$ 14,508,775	\$ 8,040,588	\$ 14,237,177	\$ 7,645,331
Net book value	\$ 6,468,187		\$ 6,591,846	

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2021

5. BANK INDEBTEDNESS

The Organization has a revolving line of credit with a maximum limit of \$550,000. The loan is secured by a general security agreement on all of the Organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand. As at March 31, 2021, amounts advanced under this line of credit were nil (2020 - nil).

6. RELATED PARTIES

Lions Cub of Winnipeg Senior Citizens Home ("Lions Manor") is the sponsor of the project. The capital assets, long-term debt and deferred contributions related to capital assets were transferred from the sponsor at cost. The sponsor has an integral role in LHC Personal Care Home Inc. operations by providing support for administration, maintenance, dietary and other services. Dietary meal costs are charged based on a rate per residential meal day.

The identified related parties are governed by a common Board of Directors.

The following is a summary of the Organization's related party transactions:

	2021	2020
<u>Related party transactions</u>		
Lions Manor		
Dietary meal costs	\$ 1,083,576	\$ 1,077,528

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.

Due from (to) related parties

Lions Manor	\$ 305,741	\$ 255,814
Lions Place	(1,330)	(216)
	\$ 304,411	\$ 255,598

Advances due from (to) related parties are unsecured, non-interest bearing and are due on demand.

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2021

7. DUE FROM (TO) WINNIPEG REGIONAL HEALTH AUTHORITY

	2021	2020
Bridge funding	\$ (300,000)	\$ (300,000)
0.25% Funding reduction	-	(20,375)
Boiler replacement	49,138	-
COVID-19 Cost recoveries	54,022	-
Education reimbursement	-	275
Health spending account	58,534	58,505
Immunization program funding	324	-
Maternity leave top up	8,015	7,091
Medical director fee increase	255	264
Pre-retirement payout	17,854	10,097
Residential charges	306,483	254,230
Retroactive wage accrual	95,130	-
Visitation shelter recoveries	19,769	-
	\$ 309,524	\$ 10,087

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2021

8. 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 deferred contributions is recorded as revenue in the statement of operations at rates equivalent to the amortization of the related capital asset.

	2021	2020
<u>Deferred contributions</u>		
Balance - beginning of year	\$ 5,479,133	\$ 5,870,906
Contributions - Winnipeg Regional Health Authority	271,598	-
Purchases	(27,977)	(20,153)
Less: amounts amortized to revenue	(395,257)	(371,620)
Balance - end of year	5,327,497	5,479,133

Unspent major repairs funding represents the unspent amount of funding received for building and building service repairs. Major repairs funding is not recorded as revenue in the statement of operations.

<u>Deferred contributions - major repairs</u>		
Balance - beginning of year	112,847	112,847
Transfer to Deferred contributions - equipment funding	(112,847)	-
Balance - end of year	-	112,847

Unspent equipment funding represents the unspent amount of funding received for the replacement of equipment. Equipment funding is not recorded as revenue in the statement of operations.

<u>Deferred contributions - equipment funding</u>		
Balance - beginning of year	62,977	102,549
Transfer from Deferred contributions - major repairs	112,847	-
Prior period adjustment (Note 9)	-	13,148
Purchases	(51,447)	(52,720)
Balance - end of year	124,377	62,977
Total deferred contributions balance	\$ 5,451,874	\$ 5,654,957

9. PRIOR PERIOD ADJUSTMENT

The prior year's financial information has been restated to reflect a correction of the Deferred contributions - equipment funding balance. The 2020 comparative financial information has been restated by decreasing other income and the excess of revenues over expenditures on the statement of operations by \$13,148 and increasing opening net assets on the statement of financial position by \$13,148.

LHC PERSONAL CARE HOME INC.
Notes to Financial Statements
Year Ended March 31, 2021

10. CONTINGENCIES

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, 2021, no litigation is in process. With respect to potential claims at March 31, 2021, management believes that the Organization 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 Organization's financial position.

11. PENSION PLAN

Substantially all of the employees of the Organization 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 of the last ten years of earnings prior to retirement, termination or death.

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 available audited financial statements of the Plan as at December 31, 2017, indicates the Plan is in a surplus position. Contributions to the Plan made during the year by the Organization on behalf of its employees amounted to \$420,566 (2020 - \$418,320) and are included in the consolidated statement of operations.

12. ECONOMIC DEPENDENCE

The Organization is economically dependent upon the Province of Manitoba for funding its operations.

13. COVID-19 UNCERTAINTY

In March 2020, the World Health Organization declared a global pandemic due to the novel coronavirus (COVID-19). The situation is constantly evolving, and the measures put in place are having multiple impacts on local, provincial, national and global economies.

Federal, provincial, and municipal governments introduced numerous measures to protect the public, including directives from the Manitoba government to protect vulnerable residents and staff of personal care homes. As a result of the COVID-19 outbreak, the Organization has experienced additional expenses totalling \$680,826 as of March 31, 2021 (2020 - \$6,327) which are included in Covid-19 Incremental Costs expense in the Statement of Operations. While the disruption caused by COVID-19 is expected to be temporary, there is considerable uncertainty about the length and potential impact of the disturbance.

As a result, we are unable to estimate the potential impact on the Organization's future operations as at the date of these financial statements.
