

Financial Statements of

**MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)**

March 31, 2021

Independent Auditor's Report

To the Board Members of
Menno Home for the Aged Inc. (Personal Care Home Division)

Opinion

We have audited the financial statements of Menno Home for the Aged Inc. (Personal Care Home Division) (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 (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Menno Home for the Aged Inc. (Personal Care Home Division) as at March 31, 2021, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 audit opinion.

Responsibilities of Management and Those Charged with Governance of 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 GAAS 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 GAAS, 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 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.

Deloitte LLP

Chartered Professional Accountants

June 1, 2021
Winnipeg, Manitoba

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MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Financial Position
March 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT		
Cash	\$ 246,444	\$ 411,609
Accounts receivable (Note 4)	12,507	5,201
Prepaid expenses	10,410	9,532
Inventories	35,077	33,681
Due from Southern Health-Santé Sud (Note 5)	208,067	3,319
Vacation entitlements receivable (Note 6)	108,516	108,516
	<u>621,021</u>	<u>571,858</u>
PRE-RETIREMENT OBLIGATION ASSETS (Note 13)	219,253	261,829
CAPITAL ASSETS (Note 7)	3,271,419	3,450,605
	<u>\$ 4,111,693</u>	<u>\$ 4,284,292</u>
LIABILITIES		
CURRENT		
Accounts payable and accruals	\$ 193,796	\$ 206,185
Accrued vacation entitlements (Note 6)	208,573	222,416
	<u>402,369</u>	<u>428,601</u>
PRE-RETIREMENT OBLIGATIONS (Note 13)	219,253	261,829
DEFERRED CONTRIBUTIONS (Note 9)		
Expenses of future periods	129,366	110,022
Capital assets	3,127,253	3,302,184
	<u>3,878,241</u>	<u>4,102,636</u>
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS		
Unrestricted net assets	89,286	33,235
Invested in capital assets (Note 10)	144,166	148,421
	<u>233,452</u>	<u>181,656</u>
	<u>\$ 4,111,693</u>	<u>\$ 4,284,292</u>

APPROVED BY THE BOARD

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MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Changes in Net Assets
For the Year Ended March 31, 2021

	2021		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 148,421	\$ 33,235	\$ 181,656
Excess (deficiency) of revenue over expenditures	(4,255)	56,051	51,796
Balance, end of year	\$ 144,166	\$ 89,286	\$ 233,452

	2020		
	Invested in capital assets	Unrestricted Net Assets	Total
Balance, beginning of year	\$ 152,676	\$ 40,019	\$ 192,695
Deficiency of revenue over expenditures	(4,255)	(6,784)	(11,039)
Balance, end of year	\$ 148,421	\$ 33,235	\$ 181,656

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Operations
For the Year Ended March 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUE		
Southern Health-Santé Sud (Note 12)	\$ 2,778,932	\$ 2,639,235
Residential charges	631,984	633,582
Amortization of deferrred contributions related to capital assets	239,158	216,455
Amortization of deferrred contributions related to expenses of future periods	3,246	13,424
Meal recoveries	2,178	8,018
Other recoveries	241,641	237,435
Interest income	532	871
	3,897,671	3,749,020
EXPENSE		
Administration	409,167	391,520
Amortization of capital assets	243,413	220,710
Dietary	560,598	546,849
Drugs	73,409	86,837
Housekeeping	109,696	106,279
Laundry and linens	99,073	105,663
Nursing	1,987,310	1,955,304
Patient support services	59,959	64,123
Physical plant	125,185	128,087
Pre-retirement obligations	18,093	16,710
Utilities, taxes and insurance	159,972	137,977
	3,845,875	3,760,059
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 51,796	\$ (11,039)

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Statement of Cash Flows
For the Year Ended March 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 51,796	\$ (11,039)
Items not affecting cash:		
Amortization of capital assets	243,413	220,710
Amortization of deferred contributions - expenses of future periods	(3,246)	(13,424)
Amortization of deferred contributions - capital assets	(239,158)	(216,455)
	52,805	(20,208)
Changes in non-cash operating working capital items:		
Accounts receivable	(7,306)	(787)
Due from (to) Southern Health-Santé Sud	(204,748)	24,710
Prepaid expenses	(878)	(552)
Inventories	(1,396)	(8,293)
Accounts payable and accrued liabilities	(12,389)	15,756
Vacation entitlements accrued	(13,843)	5,186
	(187,755)	15,812
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	64,227	978,875
Deferred contributions received - expenses of future periods	22,590	39,233
	86,817	1,018,108
INVESTING ACTIVITY		
Acquisition of capital assets	(64,227)	(978,875)
NET (DECREASE) INCREASE IN CASH	(165,165)	55,045
CASH, BEGINNING OF YEAR	411,609	356,564
CASH, END OF YEAR	\$ 246,444	\$ 411,609

**MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2021**

1. NATURE OF BUSINESS

Menno Home for the Aged - Personal Care Home Division (the "Home") is a division of Menno Home for the Aged Inc.

Menno Home for the Aged was incorporated by Letters of Patent under the Corporations Act of the Province of Manitoba on January 25, 1960 and Articles of Amendment certified on November 17, 1982 and operates in Grunthal, Manitoba under the name Menno Home for the Aged. 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 objective of the Home is to operate as a personal care home for the elderly and infirm in the Grunthal, Manitoba area.

2. BASIS OF PRESENTATION

These financial statements present the financial position and results of operation of the personal care home division of Menno Home for the Aged Inc. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of the other division of the corporation (Greendale Estates Division).

Consolidated financial statements for the corporation have not been prepared. Separate financial statements are presented for each division to facilitate reporting to the funders and other users of each division.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repair and maintenance costs are charged to expense. 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 residual value.

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

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Furniture and equipment	5 to 10 years

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) 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 Southern Health-Santé Sud ("SH-SS") by the Province of Manitoba in accordance with budget arrangements established by SH-SS. 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 SH-SS with respect to the year ended March 31, 2021.

With respect to actual operating results, certain adjustments to funding will be made by SH-SS after completion of their review of the Home's accounts. Any adjustments will be reflected in operations in the year the final statement of recommended costs is received from SH-SS. The Home is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds.

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 expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized to 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 expenses 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.

c) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value. The Home subsequently measures all its financial assets and financial liabilities at amortized cost. Changes in fair value are recognized in the statement of operations.

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

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.

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 entitlements and accrued retirement obligations. Actual results could differ from these estimates.

4. ACCOUNTS RECEIVABLE

	<u>2021</u>	<u>2020</u>
Due from (to) residents	\$ 2,164	\$ (157)
Goods and Services Tax	7,857	5,358
Other	2,486	-
	<u>\$ 12,507</u>	<u>\$ 5,201</u>

5. DUE FROM (TO) SOUTHERN HEALTH-SANTÉ SUD

	<u>2021</u>	<u>2020</u>
Current year funding adjustments	\$ (41,745)	\$ 3,319
Outstanding COVID-19 funding payment	249,812	-
	<u>\$ 208,067</u>	<u>\$ 3,319</u>

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2021

6. 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 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 entitlement receivable is collected and reestablished up to this maximum amount.

7. CAPITAL ASSETS

	2021			2020
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 97,366	\$ -	\$ 97,366	\$ 97,366
Land improvements	137,871	21,447	116,424	123,318
Buildings	1,249,814	1,086,650	163,164	194,409
Building improvements	3,836,248	1,018,426	2,817,822	2,943,801
Furniture and equipment	346,030	269,387	76,643	91,711
	\$ 5,667,329	\$ 2,395,910	\$ 3,271,419	\$ 3,450,605

8. CREDIT FACILITY

The Home has a line of credit with Access Credit Union to a maximum of \$95,000 (2020 - \$95,000) bearing interest at the Credit Union prime rate and is secured by a general security agreement on the Home's assets as well as a corporate guarantee from Menno Home Foundation of Grunthal Inc. (the "guarantor") in the amount of \$2,000,000 and a general security agreement from the guarantor. As at year end the Home had not utilized this line of credit (2020 – no balance outstanding).

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Notes to the Financial Statements
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9. DEFERRED CONTRIBUTIONS

Expenses of Future Periods

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 110,022	\$ 84,213
Add: amount received during the year	22,590	39,233
Less: transfer to deferred contributions – capital	-	
Less: expenditures for the year	(3,246)	(13,424)
	<u>\$ 129,366</u>	<u>\$ 110,022</u>

Capital assets

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>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 3,302,184	\$ 2,539,764
Add: SH-SS contributions and donations	64,227	978,875
Less: amounts amortized to revenue	(239,158)	(216,455)
	<u>\$ 3,127,253</u>	<u>\$ 3,302,184</u>

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
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10. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 97,366	\$ 97,366
Other capital assets	3,174,053	3,353,239
Amounts finance by deferred contributions	(3,127,253)	(3,302,184)
	<u>\$ 144,166</u>	<u>\$ 148,421</u>

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

	<u>2021</u>	<u>2020</u>
Amortization of deferred contributions	\$ 239,158	\$ 216,455
Amortization of capital assets	(243,413)	(220,710)
Purchase of capital assets	64,227	978,875
Amounts funded by SH-SS	(64,227)	(978,875)
	<u>\$ (4,255)</u>	<u>\$ (4,255)</u>

11. COMMITMENTS AND CONTINGENCIES

- a) The Nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2021 management believes the Home has valid defenses 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 persons to exchange with other persons 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, if 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, 2021.

The Home is a named insured under the SH-SS policy with HIROC.

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Notes to the Financial Statements
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12. REVENUE FROM SOUTHERN HEALTH–SANTÉ SUD

	<u>2021</u>	<u>2020</u>
Revenue per final funding report	\$ 2,559,482	\$ 2,569,302
Add (deduct):		
Capitation fees	20,937	20,544
Pre-retirement leave	18,093	16,710
COVID-19 funding	180,064	2,200
One-time funding	5,554	20,356
Visitation shelter	17,323	-
Out of globe adjustment - other	38,554	10,123
Surplus repayable	(61,075)	-
	<u>219,450</u>	<u>69,933</u>
Revenue for the year	<u>\$ 2,778,932</u>	<u>\$ 2,639,235</u>

13. EMPLOYEE FUTURE BENEFITS

a) *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:

- i. has reached the age 55
- ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
- iii. retires at or after age 65
- iv. 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, 2021. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 2.60% (2020 – 3.10%) and a rate of salary increase of 3.50% (2020 - 3.50%) plus age related merit/promotion scale with no provision for disability.

MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
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13. EMPLOYEE FUTURE BENEFITS (continued)

a) *Accrued retirement entitlement (continued)*

The amount recorded as 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 2004 / 2005, the SH-SS assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the SH-SS hold funding to meet this obligation.

	<u>2021</u>	<u>2020</u>
Employee future benefits recovered from		
Manitoba Health	\$ 63,303	\$ 63,303
SH-SS	155,950	198,526
	<u>\$ 219,253</u>	<u>\$ 261,829</u>

b) *Pension Plan*

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to 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, which 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, together with the 7.9% of the basic annual earnings up to the Canada Pension Plan ceiling and 9.5% of salaries greater than the ceiling, contributed by the 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 employer contributions to the Plan are to remain constant percentage of the employee contributions.

**MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2021**

13. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension Plan (continued)

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, 2019, disclosed the total actuarial value of the assets to be \$8,279,598,000 and the total actuarial value of the liabilities to be \$7,575,601,000, resulting in a surplus of \$703,997,000. Actual contributions to the plan made during the year by the Facility on behalf of its employees amounted to \$182,904 (2020 - \$184,218) and are included in the statement of operations.

14. CAPITAL MANAGEMENT

The Home considers its capital to comprise its unrestricted net assets and net invested in capital assets balances.

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.

15. 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 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:

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 12,507	\$ 5,201
Vacation entitlements receivable	108,516	108,516
Due from SH-SS	208,067	3,319
Retirement obligations receivable	219,253	261,829
	<u>\$ 548,343</u>	<u>\$ 378,865</u>

**MENNO HOME FOR THE AGED INC.
(PERSONAL CARE HOME DIVISION)
Notes to the Financial Statements
March 31, 2021**

15. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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 SH-SS, 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 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 of interest rate risk and foreign exchange 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. The Home is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products.

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 are minimal.

16. COVID-19

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, and any related adverse public health developments, have adversely affected workforces, economies, and financial markets globally. It has also disrupted the normal operations of many businesses, including that of the Home. At this time it is not possible for the Home to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Home's operations.