
Financial statements of
Parkwood Mennonite Home Inc.

March 31, 2020

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Independent Auditor's Report

To the Member Congregations of
Parkwood Mennonite Home Inc.

Qualified Opinion

We have audited the financial statements of Parkwood Mennonite Home Inc. (the "Organization"), 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 notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization 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 Qualified Opinion

In common with many not-for-profit organizations, the Organization derives revenue from donations the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to recorded contributions, the excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2020, current assets as at March 31, 2020, and net assets at the beginning and end of the year ended March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this scope limitation.

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 qualified audit opinion.

Responsibilities of Management 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.

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.

The logo for Deloitte LLP, featuring the word "Deloitte" in a cursive script followed by "LLP" in a simple sans-serif font.

Chartered Professional Accountants
Licensed Public Accountants
June 25, 2020

Parkwood Mennonite Home Inc.**Statement of financial position**

As at March 31, 2020

	Notes	2020 \$	2019 \$
Assets			
Current assets			
Cash and short-term deposits	3	206,054	514,732
Investments	3	2,803,729	3,216,933
Accounts receivable		496,215	222,817
Prepaid expenses		137,474	86,456
		3,643,472	4,040,938
Capital assets			
	4	26,829,426	27,105,879
		30,472,898	31,146,817
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		913,715	1,164,501
Current portion of mortgages payable	5	860,016	808,853
		1,773,731	1,973,354
Mortgages payable	5	13,712,514	14,572,528
Loan payable to Fairview Mennonite Homes	6	4,511,835	4,511,835
Liability under Right to Occupy agreements	7	4,765,900	4,674,900
Deferred contributions related to capital assets	8	3,977,270	3,994,010
		28,741,250	29,726,627
Commitments			
	11		
Net assets			
Net assets invested in capital assets		(587,565)	(1,903,966)
Net assets internally restricted for future requirements	3	325,968	364,852
Unrestricted net assets		1,993,245	2,959,304
		1,731,648	1,420,190
		30,472,898	31,146,817

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

Approved by the Board of Directors

_____, Director

_____, Director

Parkwood Mennonite Home Inc.
Statement of changes in net assets
Year ended March 31, 2020

	Invested in capital assets \$	Internally restricted for future requirements \$ (Note 3)	Unrestricted \$	2020 \$	2019 \$
Balance, beginning of year	(1,903,966)	364,852	2,959,304	1,420,190	843,118
Excess of revenue over expenses (expenses over revenue) for the year	121,858	—	189,600	311,458	577,072
Interfund transfers					
Purchase of capital assets	311,174	—	(311,174)	—	—
Proceeds from sales of Right to Occupy Agreements	(340,000)	—	340,000	—	—
Repayment of liability under Right to Occupy Agreements	309,400	—	(309,400)	—	—
Deferred contributions received	105,118	—	(105,118)	—	—
Repayment of mortgages payable	808,851	—	(808,851)	—	—
Amount internally restricted during the year	—	(38,884)	38,884	—	—
Balance, end of year	(587,565)	325,968	1,993,245	1,731,648	1,420,190

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

Parkwood Mennonite Home Inc.**Statement of operations**

Year ended March 31, 2020

	Schedules	2020 \$	2019 \$
Revenue			
Long-term care	1	7,939,286	7,751,108
Garden Homes	2	172,254	160,965
Parkwood Suites	3	3,441,712	3,331,818
		11,553,252	11,243,891
Expenses			
Long-term care	1	8,063,388	7,610,508
Garden Homes	2	169,156	165,828
Parkwood Suites	3	3,179,346	3,157,083
		11,411,890	10,933,419
Excess of revenue over expenses from operations		141,362	310,472
Other income			
Investment income		58,587	182,695
Other income		111,509	83,905
		170,096	266,600
Excess of revenue over expenses for the year		311,458	577,072

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

Parkwood Mennonite Home Inc.**Statement of cash flows**

Year ended March 31, 2020

	Note	2020 \$	2019 \$
Operating activities			
Excess of revenue over expenses for the year		311,458	577,072
Items not affecting cash			
Amortization of capital assets		678,627	743,177
Amortization of deferred contributions		(121,858)	(125,370)
Gain on resale of Right to Occupy Agreements		(30,600)	—
Gain on investments		(58,587)	(182,695)
		779,040	1,012,184
Net change in non-cash working capital balances to operations		(575,202)	240,412
		203,838	1,252,596
Financing activities			
Repayment of mortgages payable		(808,851)	(760,734)
Proceeds from sales of Right to Occupy Agreements		340,000	—
Repayment of liability under Right to Occupy Agreements		(309,400)	—
Deferred contributions received	8	105,118	32,445
		(673,133)	(728,289)
Investing activities			
Purchase of short-term investment		(531,597)	—
Maturity of short-term investment		1,003,388	22,765
Purchase of capital assets		(311,174)	(181,509)
		160,617	(158,744)
Decrease in cash and short-term deposits		(308,678)	365,563
Cash and short-term deposits, beginning of year		514,732	149,169
Cash and short-term deposits, end of year		206,054	514,732

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

1. Purpose of the Corporation

Parkwood Mennonite Home Inc. seeks to provide services to seniors that meet the ever changing physical, spiritual and social needs of each resident.

Parkwood Mennonite Home Inc. is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act. Accordingly, it is not subject to income taxes.

2. Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"), and reflect the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term investments with a term to maturity of three months or less at the date of acquisition.

Revenue recognition

Revenue is recognized using the deferred method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions related to capital assets are deferred and recognized as revenues on the same basis as the amortized expense related to the acquired capital assets. Unrestricted contributions are recognized as revenue as received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue in respect of accommodation and care services provided to residents is recognized when the services, both rental and care, are provided.

Investment income on externally restricted contributions is recognized as revenue in the year in which the expenses related to the restricted contributions are incurred. Unrestricted investment income is recognized as revenue when earned.

Capital assets

Capital assets are recorded at cost. Amortization is based on the following methods:

Buildings	Straight-line	2%
Furniture, fixtures and equipment	Straight-line	10%
Computer equipment	Straight-line	33.66%
Computer software	Straight-line	20%
Parking lots	Straight-line	5%

Donated materials and services

The value of donated materials and services is not reflected in the accompanying financial statements as the fair value cannot be reasonably estimated.

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with ASNPO 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 revenues and expenses during the reporting period. Key components of the financial statements requiring management to make estimates include the provision for doubtful accounts in respect of receivables, the useful lives of long-lived assets, the fair value of certain financial instruments, and the right to occupy liability. Actual results could differ from these estimates.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value when the Corporation becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, except for marketable securities which are measured at fair value.

Interest earned on short-term investments and realized gains and losses on sale of short-term investments are included in other income in the Statement of operations.

Pension costs

The Corporation has a contributory defined contribution pension plan. Current service costs are charged to operations as they accrue. Pension costs in the amount of \$170,397 (\$163,670 in 2019) were included as expenses during the year.

Change in accounting policy

Effective April 1, 2019, the Organization adopted Handbook Section 4433, *Tangible capital assets held by not-for-profit organizations* ("Section 4433") replacing Section 4431 on the same topic. Section 4433 provides additional guidance related to componentization of tangible capital assets consisting of significant separable component parts, the recognition of partial impairments when the conditions indicate a tangible capital asset is impaired and related impairment disclosures. In accordance with the transition provisions, the Organization has applied Section 4433 prospectively with no impact on the disclosures or amounts recorded in the financial statements of the Organization.

3. Restricted assets

The following balance, which is included in cash and short term deposits and investments, is governed by designations by the Board of Directors concerning the expenditure of principal and accumulated interest amounts.

	2020	2019
	\$	\$
Amounts designated by the Board of Directors being held for future requirements	325,968	364,852

Parkwood Mennonite Home Inc.
Notes to the financial statements
 March 31, 2020

4. Capital assets

	Cost \$	Accumulated amortization \$	2020 Net book value \$	2019 Net book value \$
Land	1,762,084	—	1,762,084	1,762,084
Buildings	26,333,247	7,077,989	19,255,258	19,781,922
Garden Homes – subject to Right to Occupy Agreements	4,789,133	—	4,789,133	4,698,184
Garden Homes – building improvements	74,941	2,597	72,344	11,949
Furniture, fixtures and equipment	5,222,773	4,390,565	832,208	712,609
Computer equipment	161,300	149,920	11,380	13,213
Computer software	82,705	39,630	43,074	58,065
Parking lots	78,152	14,207	63,945	67,853
	38,504,335	11,674,908	26,829,426	27,105,879

5. Mortgages payable

	2020 \$	2019 \$
6.35% mortgage payable, repayable in monthly payments of \$49,050, due December 1, 2024	4,285,465	4,594,857
5.99% mortgage payable, repayable in monthly payments of \$17,013, due December 1, 2024	1,510,185	1,621,396
6.2% mortgage payable, repayable in blended monthly payments of \$78,209, due February 23, 2029	8,776,880	9,165,128
	14,572,530	15,381,381
Less: current portion	860,016	808,853
	13,712,514	14,572,528

Land and buildings included in capital assets have been pledged as security for the mortgages. In addition, the following have also been pledged as security for the mortgages:

- a general security agreement over all the assets of the Corporation;
- a general assignment of rents;
- an assignment of insurance; and
- an assignment of the long-term care service agreement and license for the operation of a long-term care facility.

Fairview Mennonite Homes an organization governed by the same Board of Directors has also issued a postponement of claim as security for the 6.35% and 5.99% mortgages and a guarantee of the 6.2% mortgage.

5. Mortgages payable (continued)

The principal repayments aggregate \$14,572,530 and payments required in each of the next five years to meet expected retirement provisions are as follows:

	\$
2021	860,016
2022	914,418
2023	972,262
2024	1,033,767
2025	4,355,365
Thereafter	6,436,702
	<u>14,572,530</u>

6. Loan payable to Fairview Mennonite Homes

The loan is payable to an organization controlled by the Board of Directors of Fairview Mennonite Homes, the members of which also comprise the Board of Directors of Parkwood Mennonite Home, bears interest at an annual rate of 6.71%. Pursuant to a resolution of the Board of Directors of Fairview Mennonite Homes, interest was waived for the year ended March 31, 2020.

As a result of the postponement of claim issued by Fairview Mennonite Homes in favour of the mortgagee disclosed in Note 5, the loan payable has been disclosed as long-term.

7. Liability under Right to Occupy Agreements

The Corporation has entered into Right to Occupy Agreements under which the right to use, occupy and enjoy 18 of 18 Garden Home units have been sold to residents for a total consideration of \$4,765,900 (\$4,674,900 in 2019).

At the eventual termination of the agreements, the Corporation will determine the manner in which the Right to Occupy is transferred. Upon disposition of the resident's right to occupy, the Corporation will be entitled to an administrative transfer fee of 5% – 10% of the gross selling price. As the final amount of the obligation cannot be determined, the entire amount of the consideration has been deferred.

8. Deferred contributions related to capital assets

The deferred contributions represent restricted contributions with which additions to capital assets have been or will be purchased. The changes in the deferred contribution balance for the year are as follows:

	2020 \$	2019 \$
Balance, beginning of year	3,994,010	4,086,935
Deferred contributions received during the year	105,118	32,445
Amount amortized to revenue	(121,858)	(125,370)
Balance, end of year	<u>3,977,270</u>	<u>3,994,010</u>

9. Related party transactions

Administration costs of \$20,000 (\$20,000 in 2019) were charged by Fairview Mennonite Homes, an organization controlled by the Board of Directors of Fairview Mennonite Homes, the members of which also comprise the Board of Directors of Parkwood Mennonite Home.

Included in accounts payable and accrued liabilities at year end is \$196,438 payable to Fairview Mennonite Homes. The balance is non-interest bearing, unsecured and repayment is due within the next 12 months.

10. Financial instruments

Liquidity risk

The Corporation's objective is to have sufficient liquidity to meet its liabilities when due. The Corporation monitors its cash balances and cash flows generated from operations to meet its requirements. As at March 31, 2020, the most significant financial liabilities are the accounts payable and accrued liabilities, mortgages payable, and loan payable to Fairview Mennonite Homes.

11. Lease commitments

The Corporation is committed under certain long-term operating leases. Future minimum lease payments under these operating leases are \$1,347 and are as follows:

	<u>\$</u>
2021	1,347

12. Subsequent event

On March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. It is not possible to reliably estimate the duration and impact of this global event or the impact on the financial results and condition of the Organization in future periods.

The pandemic has caused significant volatility in the global and Canadian capital markets, changes in interest rates and fluctuations in foreign exchange rates, consequently affecting the valuation and performance of investments. The fair value of the Organization's investments increased to \$2,870,751 as at May 15, 2020.

Parkwood Mennonite Home Inc.**Schedule 1 – Schedule of revenue and expenses – Long-term care**

Year ended March 31, 2020

	2020	2019
	\$	\$
Revenue		
Resident fees	2,521,736	2,488,818
Government level of care funding	4,631,618	4,495,289
Other government funding	686,557	653,061
Sundry	8,336	17,677
Amortization of deferred contributions	91,039	96,263
	7,939,286	7,751,108
Expenses		
Social services		
Salaries and benefits	325,540	311,301
Supplies and other	142,626	145,300
Dietary services		
Salaries and benefits	615,413	613,027
Raw food	350,345	358,773
Supplies and other	56,107	43,589
Nursing services		
Salaries and benefits	3,852,076	3,733,212
Supplies and other	292,164	215,245
Housekeeping services	347,909	328,511
Laundry and linen services	143,751	142,579
Building and property	305,308	361,387
Utilities	182,310	187,691
General and administrative	685,947	387,407
Mortgage interest	372,018	400,637
Amortization	391,874	381,849
	8,063,388	7,610,508
Excess of (expenses over revenue) revenue over expenses	(124,102)	140,600

Parkwood Mennonite Home Inc.**Schedule 2 – Schedule of revenue and expenses – Garden Homes**

Year ended March 31, 2020

	2020	2019
	\$	\$
Revenue		
Rent and accommodation	164,236	160,965
Amortization of deferred contributions	8,018	—
	172,254	160,965
Expenses		
Building and property	55,761	49,336
General and administrative	35,319	41,629
Utilities	7,650	7,803
Property taxes	68,242	66,648
Amortization	2,184	412
	169,156	165,828
Excess of revenue over expenses (expenses over revenue)	3,098	(4,863)

Parkwood Mennonite Home Inc.**Schedule 3 – Schedule of revenue and expenses – Parkwood Suites**

Year ended March 31, 2020

	2020	2019
	\$	\$
Revenue		
Rent and accommodation	3,418,911	3,302,711
Amortization of deferred contributions	22,801	29,107
	3,441,712	3,331,818
Expenses		
Program services	81,736	70,291
Dietary services	311,303	323,854
Nursing services	936,671	858,975
Housekeeping services	22,641	19,613
Laundry and linen services	7,653	2,803
Building and property	313,970	306,778
Utilities	156,573	166,065
General and administrative	514,000	473,706
Mortgage interest	550,230	574,082
Amortization	284,569	360,916
	3,179,346	3,157,083
Excess of revenue over expenses	262,366	174,735