Financial statements of
Parkwood Mennonite Home Inc.

March 31, 2021

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, 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, 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, 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.

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, 2021, current assets as at March 31, 2021, and net assets at the beginning and end of the year ended March 31, 2021. Our audit opinion on the financial statements for the year ended March 31, 2021 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.

Other Matters

The statement of financial position at March 31, 2020, and the statements of changes in net assets, operations and cash flows for the year then ended were audited by another firm of auditors who expressed a qualified opinion on June 25, 2020.

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.

Chartered Professional Accountants
Licensed Public Accountants
[DATE]

Parkwood Mennonite Home Inc.

Statement of financial position

As at March 31, 2021

	Notes	2021 $	2020 $
Assets			
Current assets			
Cash and short-term deposits	3	**489,313**	206,054
Investments	3	**3,176,602**	2,803,729
Accounts receivable		**600,591**	496,215
Prepaid expenses		**129,982**	137,474
		4,396,488	3,643,472
Capital assets	4	**26,407,494**	26,829,426
		30,803,982	30,472,898
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,350,911**	913,715
Current portion of mortgages payable	5	**914,418**	860,016
		2,265,329	1,773,731
Mortgages payable	5	**12,798,096**	13,712,514
Loan payable to Fairview Mennonite Homes	6	**4,511,835**	4,511,835
Liability under Right to Occupy agreements	7	**4,765,900**	4,765,900
Deferred contributions related to capital assets	8	**4,037,766**	3,977,270
		28,378,926	28,741,250
Commitments	11		
Net assets			
Net assets invested in capital assets		**182,707**	(587,565)
Net assets internally restricted for future requirements	3	**331,479**	325,968
Unrestricted net assets		**1,910,870**	1,993,245
		2,425,056	1,731,648
		30,803,982	30,472,898

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, 2021

	Invested in capital assets $	Internally restricted for future requirements $ (Note 3)	Unrestricted $	2021 $	2020 $
Balance, beginning of year	**(587,565)**	**325,968**	**1,993,245**	**1,731,648**	1,420,190
Excess of revenue over expenses for the year	**(565,355)**	**—**	**1,258,763**	**693,408**	311,458
Interfund transfers					
Purchase of capital assets	**279,269**	**—**	**(279,269)**	**—**	—
Deferred contributions received	**196,342**	**—**	**(196,342)**	**—**	—
Repayment of mortgages payable	**860,016**	**—**	**(860,016)**	**—**	—
Amount internally restricted during the year	**—**	**5,511**	**(5,511)**	**—**	—
Balance, end of year	**182,707**	**331,479**	**1,910,870**	**2,425,056**	1,731,648

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

Parkwood Mennonite Home Inc.
Statement of operations
Year ended March 31, 2021

	Schedules	2021 $	2020 $
Revenue			
Long-term care	1	**9,246,551**	7,939,286
Garden Homes	2	**179,330**	172,254
Parkwood Suites	3	**3,594,534**	3,441,712
		13,020,415	11,553,252
Expenses			
Long-term care	1	**9,146,790**	8,063,388
Garden Homes	2	**181,124**	169,156
Parkwood Suites	3	**3,503,505**	3,179,346
		12,831,419	11,411,890
Excess of revenue over expenses from operations		**188,996**	141,362
Other income			
Investment income		**375,908**	58,587
Other income		**128,504**	111,509
		504,412	170,096
Excess of revenue over expenses for the year		**693,408**	311,458

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

Parkwood Mennonite Home Inc.
Statement of cash flows
Year ended March 31, 2021

	Note	2021	2020
		$	$
Operating activities			
Excess of revenue over expenses for the year		**693,408**	311,458
Items not affecting cash			
Amortization of capital assets		**701,201**	678,627
Amortization of deferred contributions		**(135,846)**	(121,858)
Gain on resale of Right to Occupy agreements		**—**	(30,600)
		1,258,763	837,627
Net change in non-cash working capital balances to operations		**340,312**	(575,202)
		1,599,075	262,425
Financing activities			
Repayment of mortgages payable		**(860,016)**	(808,851)
Proceeds from sales of Right to Occupy Agreements		**—**	340,000
Repayment of liability under Right to Occupy Agreements		**—**	(309,400)
Deferred contributions received	8	**196,342**	105,118
		(663,674)	(673,133)
Investing activities			
Gain on investments		**(372,873)**	(58,587)
Purchase of short-term investment		**—**	(531,597)
Maturity of short-term investment		**—**	1,003,388
Purchase of capital assets		**(279,269)**	(311,174)
		(652,142)	102,030
Decrease in cash and short-term deposits		**283,259**	(308,678)
Cash and short-term deposits, beginning of year		**206,054**	514,732
Cash and short-term deposits, end of year		**489,313**	206,054

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

Construction-in-progress comprises construction and development costs. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

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, realized and unrealized 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 $181,735 ($170,397 in 2020) were included as expenses during the year.

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.

	2021	2020
	$	$
Amounts designated by the Board of Directors being held for future requirements	**331,479**	325,968

4. Capital assets

	Cost $	Accumulated amortization $	2021 Net book value $	2020 Net book value $
Land	**1,762,084**	**—**	**1,762,084**	1,762,084
Construction in progress	**3,509**	**—**	**3,509**	—
Buildings	**26,333,247**	**7,604,655**	**18,728,592**	19,255,258
Garden Homes – subject to Right to Occupy Agreements	**4,789,133**	**—**	**4,789,133**	4,789,133
Garden Homes – building improvements	**82,404**	**6,530**	**75,874**	72,344
Furniture, fixtures and equipment	**5,436,517**	**4,525,291**	**911,226**	832,208
Computer equipment	**165,512**	**157,179**	**8,333**	11,380
Computer software	**133,045**	**64,339**	**68,706**	43,074
Parking lots	**78,152**	**18,115**	**60,037**	63,945
	38,783,603	**12,376,109**	**26,407,494**	26,829,426

5. Mortgages payable

	2021 $	2020 $
6.35% mortgage payable, repayable in monthly payments of $49,050, due December 1, 2024	**3,956,114**	4,285,465
5.99% mortgage payable, repayable in monthly payments of $17,013, due December 1, 2024	**1,392,212**	1,510,185
6.2% mortgage payable, repayable in blended monthly payments of $78,209, due February 23, 2029	**8,364,188**	8,776,880
	13,712,514	14,572,530
Less: current portion	**914,418**	860,016
	12,798,096	13,712,514

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 $13,712,514 and payments required in each of the next five years to meet expected retirement provisions are as follows:

	$
2022	914,418
2023	972,262
2024	1,033,767
2025	4,355,365
2026	560,033
Thereafter	5,876,669
	13,712,514

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, 2021.

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 ($4,765,900 in 2020).

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:

	2021	2020
	$	$
Balance, beginning of year	**3,977,270**	3,994,010
Deferred contributions received during the year	**196,342**	105,118
Amount amortized to revenue	**(135,846)**	(121,858)
Balance, end of year	**4,037,766**	3,977,270

9. Related party transactions

Administration costs of $112,264 ($20,000 in 2020) 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. In the current year, administration fees are being charged that were historically recorded as salaries and wages in Parkwood.

Included in accounts payable and accrued liabilities at year end is $211,472 ($196,438 in 2020) 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, 2021, the most significant financial liabilities are the mortgages payable, and loan payable to Fairview Mennonite Homes.

Interest rate risk

The Company is exposed to financial risk that arises from the interest rate differentials between the market interest rate and the rate on the promissory note payable to an affiliated company. Changes in variable interest rates could cause unanticipated fluctuations in the Company's operating results.

Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. The organization holds common shares which are subject to fluctuations in changes to market prices.

11. Lease commitments

The Corporation is committed under certain long-term operating leases. Future minimum lease payments under these operating leases are $9,399 and are as follows:

	$
2022	2,014
2023	2,014
2024	2,014
2025	2,014
2026	1,343

In addition, a commitment for a special project has been signed for $580,000.

12. COVID-19 impact

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 financial impact in the current fiscal year directly attributable to COVID-19, resulted in funding revenue of $1,364,865. This helped to offset the additional expenditures which were incurred. Due to the underlying nature of funding support, Retirement Home operations were impacted most significantly by additional expenditures related to COVID-19.

Parkwood Mennonite Home Inc.

Schedule 1 – Schedule of revenue and expenses – Long-term care

Year ended March 31, 2021

	2021 $	2020 $
Revenue		
Resident fees	**2,461,133**	2,521,736
Government level of care funding	**5,980,994**	4,631,618
Other government funding	**697,288**	686,557
Sundry	**3,672**	8,336
Amortization of deferred contributions	**103,464**	91,039
	9,246,551	7,939,286
Expenses		
Social services		
Salaries and benefits	**375,182**	325,540
Supplies and other	**124,431**	142,626
Dietary services		
Salaries and benefits	**671,649**	615,413
Raw food	**357,820**	350,345
Supplies and other	**63,886**	56,107
Nursing services		
Salaries and benefits	**4,359,551**	3,852,076
Supplies and other	**644,625**	292,164
Housekeeping services	**357,282**	347,909
Laundry and linen services	**138,834**	143,751
Building and property	**249,162**	305,308
Utilities	**193,826**	182,310
General and administrative	**855,844**	685,947
Mortgage interest	**345,427**	372,018
Amortization	**409,271**	391,874
	9,146,790	8,063,388
Excess of revenue over expenses (expenses over revenue)	**99,761**	(124,102)

Parkwood Mennonite Home Inc.

Schedule 2 – Schedule of revenue and expenses – Garden Homes

Year ended March 31, 2021

	2021	2020
	$	$
Revenue		
Rent and accommodation	**169,749**	164,236
Amortization of deferred contributions	**9,581**	8,018
	179,330	172,254
Expenses		
Building and property	**40,912**	55,761
General and administrative	**60,312**	35,319
Utilities	**7,650**	7,650
Property taxes	**68,316**	68,242
Amortization	**3,934**	2,184
	181,124	169,156
Excess of (expenses over revenue) revenue over expenses	**(1,794)**	3,098

Parkwood Mennonite Home Inc.

Schedule 3 – Schedule of revenue and expenses – Parkwood Suites

Year ended March 31, 2021

	2021	2020
	$	$
Revenue		
Rent and accommodation	**3,469,300**	3,418,911
Government funding	**102,433**	—
Amortization of deferred contributions	**22,801**	22,801
	3,594,534	3,441,712
Expenses		
Program services	**74,473**	81,736
Dietary services	**317,430**	311,303
Nursing services	**1,201,821**	936,671
Housekeeping services	**27,189**	22,641
Laundry and linen services	**8,604**	7,653
Building and property	**313,578**	313,970
Utilities	**165,680**	156,573
General and administrative	**583,780**	514,000
Mortgage interest	**522,954**	550,230
Amortization	**287,996**	284,569
	3,503,505	3,179,346
Excess of revenue over expenses	**91,029**	262,366