Financial statements of
Parkwood Mennonite Home Inc.

March 31, 2019

Deloitte LLP
195 Joseph Street
Kitchener ON N2G 1J6
Canada

Tel: 519-650-7600
Fax: 519-650-7601
www.deloitte.ca

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 (the "Organization"), which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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, 2019, current assets as at March 31, 2019, and net assets at the beginning and end of the year ended March 31, 2019. Our audit opinion on the financial statements for the year ended March 31, 2019 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.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
May 23, 2019

Parkwood Mennonite Home Inc.
Statement of financial position
Year ended March 31, 2019

	Notes	2019	2018 (Restated Note 13)
		$	$
Assets			
Current assets			
Cash and short-term deposits	3	**514,732**	149,169
Investments		**3,216,933**	3,057,003
Accounts receivable		**222,817**	268,573
Prepaid expenses		**86,456**	75,234
		4,040,938	3,549,979
Capital assets	4	**27,105,879**	27,667,547
		31,146,817	31,217,526
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,164,501**	958,623
Current portion of mortgages payable	5	**808,853**	760,733
		1,973,354	1,719,356
Mortgages payable	5	**14,572,528**	15,381,382
Loan payable to Fairview Mennonite Homes	6	**4,511,835**	4,511,835
Liability under Right to Occupy agreements	7	**4,674,900**	4,674,900
Deferred contributions related to capital assets	8	**3,994,010**	4,086,935
		29,726,627	30,374,408
Commitments	11		
Net assets			
Net assets invested in capital assets		**(1,903,966)**	(2,260,847)
Net assets internally restricted for future requirements	3	**364,852**	345,657
Unrestricted net assets		**2,959,304**	2,758,308
		1,420,190	843,118
		31,146,817	31,217,526

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, 2019

	Notes	**Invested in capital assets**	**Internally restricted for future requirements**	**Unrestricted**	**2019**	2018 (Restated Note 13)
		$	**$**	**$**	**$**	$
			(Note 3)			
Balance, beginning of year, restated as previously reported		**(2,260,847)**	**345,657**	**2,830,134**	**914,944**	734,202
Retrospective change in accounting policy	13	**—**	**—**	**(71,826)**	**(71,826)**	(76,792)
Balance, beginning of year, restated		**(2,260,847)**	**345,657**	**2,758,308**	**843,118**	657,410
Excess of revenue over expenses (expenses over revenue) for the year		**(617,807)**	**—**	**1,194,879**	**577,072**	185,708
Interfund transfers						
Purchase of capital assets		**181,509**	**—**	**(181,509)**	**—**	—
Proceeds from sales of Right to Occupy Agreements		**—**	**—**	**—**	**—**	—
Repayment of liability under Right to Occupy Agreements		**—**	**—**	**—**	**—**	—
Deferred contributions received		**32,445**	**—**	**(32,445)**	**—**	—
Repayment of mortgages payable		**760,734**	**—**	**(760,734)**	**—**	—
Amount internally restricted during the year		**—**	**19,195**	**(19,195)**	**—**	—
Balance, end of year		**(1,903,966)**	**364,852**	**2,959,304**	**1,420,190**	843,118

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

Parkwood Mennonite Home Inc.
Statement of operations
Year ended March 31, 2019

	Schedules	2019 $	2018 (Restated Note 13) $
Revenue			
Long-term care	1	**7,751,108**	7,541,564
Garden Homes	2	**160,965**	157,094
Parkwood Suites	3	**3,331,818**	3,238,635
		11,243,891	10,937,293
Expenses			
Long-term care	1	**7,610,508**	7,545,720
Garden Homes	2	**165,828**	158,904
Parkwood Suites	3	**3,157,083**	3,168,985
		10,933,419	10,873,609
Excess of revenue over expenses from operations		**310,472**	63,684
Other income			
Investment income		**182,695**	119,937
Other income		**83,905**	2,087
		266,600	122,024
Excess of revenue over expenses for the year		**577,072**	185,708

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

Statement of cash flows

Year ended March 31, 2019

	2019	2018 (Restated Note 13)
	$	$
Operating activities		
Excess of revenue over expenses for the year	**577,072**	180,742
Items not affecting cash		
Amortization of capital assets	**743,177**	799,298
Amortization of deferred contributions	**(125,370)**	(111,604)
Gain on resale of Right to Occupy Agreements	**—**	(53,960)
Gain on investments	**(182,695)**	(119,937)
	1,012,184	694,539
Net change in non-cash working capital balances to operations	**240,412**	88,092
	1,252,596	782,631
Financing activities		
Repayment of mortgages payable	**(760,734)**	(715,477)
Proceeds from sales of Right to Occupy Agreements	**—**	614,000
Repayment of liability under Right to Occupy Agreements	**—**	(577,160)
Deferred contributions received	**32,445**	115,936
	(728,289)	(562,701)
Investing activities		
Purchase of short-term investment	**—**	(1,200,000)
Maturity of short-term investment	**22,765**	1,391,683
Purchase of capital assets	**(181,509)**	(184,849)
	(158,744)	6,834
Decrease in cash and short-term deposits	**365,563**	226,764
Cash and short-term deposits, beginning of year	**149,169**	(77,595)
Cash and short-term deposits, end of year	**514,732**	149,169

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.

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 $163,670 ($157,712 in 2018) were included as expenses during the year.

3. Restricted assets

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

	2019	2018
	$	$
Amounts designated by the Board of Directors being held for future requirements	**364,852**	345,657

4. Capital assets

	Cost $	Accumulated amortization $	2019 Net book value $	2018 Net book value $
Land	**1,762,084**	**—**	**1,762,084**	1,762,084
Buildings	**26,333,247**	**6,551,325**	**19,781,922**	20,308,587
Garden Homes - subject to Right to Occupy Agreements	**4,698,184**	**—**	**4,698,184**	4,698,184
Garden Homes - building improvements	**12,361**	**412**	**11,949**	1,989
Furniture, fixtures and equipment	**4,985,024**	**4,272,415**	**712,609**	761,169
Computer equipment	**154,661**	**141,448**	**13,213**	13,338
Computer software	**78,446**	**20,381**	**58,065**	59,549
Parking lots	**78,152**	**10,299**	**67,853**	62,647
	38,102,159	**10,996,280**	**27,105,879**	27,667,547

5. Mortgages payable

	2019 $	2018 $
6.35% mortgage payable, repayable in monthly payments of $49,050, due December 1, 2024	**4,594,857**	4,885,501
5.99% mortgage payable, repayable in monthly payments of $17,013, due December 1, 2024	**1,621,396**	1,726,234
6.2% mortgage payable, repayable in blended monthly payments of $78,209, due February 23, 2029	**9,165,128**	9,530,380
	15,381,381	16,142,115
Less: current portion	**808,853**	760,733
	14,572,528	15,381,382

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 $15,381,381 and payments required in each of the next five years to meet expected retirement provisions are as follows:

	$
2020	808,853
2021	860,017
2022	914,418
2023	972,263
2024	1,033,767
Thereafter	10,792,063
	15,381,381

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, 2019.

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 $4,674,900 ($4,674,900 in 2018).

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:

	2019	2018
	$	$
Balance, beginning of year	**4,086,935**	4,082,603
Deferred contributions received during the year	**32,445**	115,936
Amount amortized to revenue	**(125,370)**	(111,604)
Balance, end of year	**3,994,010**	4,086,935

9. Related party transactions

Administration costs of $20,000 ($20,000 in 2018) 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 $484,937 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, 2019, 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 aggregate $5,388 and are as follows:

	$
2020	2,020
2021	2,020
2022	1,348

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Change in accounting policy

Effective April 1, 2017, the Organization elected to change its policy for the recording of food and supplies to more accurately reflect the economic benefit of the food and supplies. As a result of the change in policy, food and supplies are now expensed in the period received. The change in policy has been applied on a retrospective basis and, as a result, opening net assets at April 1, 2017 has been decreased by $76,792 and supplies expense for the prior period increased by $4,966. Accordingly, the inventory balance has been decreased by $71,826 at March 31, 2018.

Parkwood Mennonite Home Inc.
Schedule 1 – Schedule of revenue and expenses – Long-term care
Year ended March 31, 2019

	2019	2018 (Restated Note 13)
	$	$
Revenue		
Resident fees	**2,488,818**	2,471,976
Government level of care funding	**4,495,289**	4,271,749
Other government funding	**653,061**	643,119
Sundry	**17,677**	87,297
Amortization of deferred contributions	**96,263**	67,423
	7,751,108	7,541,564
Expenses		
Social services		
Salaries and benefits	**311,301**	303,265
Supplies and other	**145,300**	91,964
Dietary services		
Salaries and benefits	**613,027**	605,066
Raw food	**358,773**	325,409
Supplies and other	**43,589**	52,412
Nursing services		
Salaries and benefits	**3,733,212**	3,630,672
Supplies and other	**215,245**	231,365
Housekeeping services	**328,511**	308,435
Laundry and linen services	**142,579**	141,891
Building and property	**361,387**	422,252
Utilities	**187,691**	210,690
General and administrative	**387,407**	443,409
Mortgage interest	**400,637**	415,489
Amortization	**381,849**	363,401
	7,610,508	7,545,720
Excess of revenue over expenses (expenses over revenue)	**140,600**	(4,156)

Parkwood Mennonite Home Inc.
Schedule 2 – Schedule of revenue and expenses – Garden Homes
Year ended March 31, 2019

	2019	2018
	$	$
Revenue	**160,965**	157,094
Expenses		
Building and property	**49,336**	50,905
General and administrative	**41,629**	41,369
Utilities	**7,803**	7,650
Property taxes	**66,648**	58,980
Amortization	**412**	—
	165,828	158,904
Excess of expenses over revenue	**(4,863)**	(1,810)

	2019	2018
	$	$
Revenue		
Rent and accommodation	**3,302,711**	3,206,735
Amortization of deferred contributions	**29,107**	24,307
Sundry	**—**	7,593
	3,331,818	3,238,635
Expenses		
Program services	**70,291**	82,079
Dietary services	**323,854**	286,212
Nursing services	**858,975**	851,714
Housekeeping services	**19,613**	27,996
Laundry and linen services	**2,803**	3,768
Building and property	**306,778**	257,684
Utilities	**166,065**	175,665
General and administrative	**473,706**	454,398
Mortgage interest	**574,082**	593,572
Amortization	**360,916**	435,897
	3,157,083	3,168,985
Excess of revenue over expenses	**174,735**	69,650