

Consolidated Financial Statements of

**THE RELIGIOUS HOSPITALLERS OF
ST. JOSEPH OF CORNWALL, ONTARIO**

Year ended March 31, 2010

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Financial Statements

Year ended March 31, 2010

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AUDITORS' REPORT

To The Religious Hospitallers of St. Joseph
of Cornwall, Ontario

We have audited the consolidated statement of financial position of The Religious Hospitallers of St. Joseph of Cornwall, Ontario (the "Health Centre") as at March 31, 2010 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly wavy line that underlines the text.

Chartered Accountants, Licensed Public Accountants

Kingston, Canada
May 4, 2010

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets:		
Cash	\$ 5,338,101	\$ 1,795,557
Accounts receivable (note 3)	114,693	95,300
Inventory	1,248	1,509
Prepaid expenses	89,005	61,389
	<u>5,543,047</u>	<u>1,953,755</u>
Trust fund assets	35,205	31,177
Capital assets (note 4)	32,543,146	31,886,875
	<u>\$ 38,121,398</u>	<u>\$ 33,871,807</u>
Liabilities, Deferred Contributions and Net Asset Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,168,882	\$ 3,085,245
Deferred revenue	-	34,000
	<u>4,168,882</u>	<u>3,119,245</u>
Trust fund liabilities	35,205	31,177
Long-term debt (note 5)	15,926,799	11,000,000
Deferred contributions (note 6)	17,162,699	19,341,481
	<u>33,124,703</u>	<u>30,372,658</u>
Net asset deficiency:		
Invested in capital assets (note 7)	109,856	14,469,654
Internally restricted (note 13)	447,388	112,765
Unrestricted	270,569	(14,202,515)
	<u>827,813</u>	<u>379,904</u>
Contingencies (note 11)		
	<u>\$ 38,121,398</u>	<u>\$ 33,871,807</u>

See accompanying notes to consolidated financial statements.

On behalf of the Board and the Membership:

_____ Chairperson of the Board

_____ President of the Membership

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Statement of Operations

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Ministry of Health and Long-Term Care	\$ 12,440,944	\$ 12,356,088
Patient revenue	3,367,342	3,159,954
Other	383,670	374,147
Amortization of deferred contributions	722,388	474,373
	<u>16,914,344</u>	<u>16,364,562</u>
Expenses:		
Salaries and wages	9,820,560	9,855,452
Employee benefits	2,824,999	2,644,269
Other supplies and expenses	2,573,579	2,295,194
Amortization of capital assets	1,120,586	907,578
Drugs	179,782	170,396
Medical and surgical supplies	174,541	139,006
Construction loan interest	104,950	234,576
Medical staff remuneration	26,674	25,896
	<u>16,825,671</u>	<u>16,272,367</u>
Excess of revenue over expenses before the undernoted	88,673	92,195
Recovery of prior year utility costs	359,236	-
Forgiveness of loan	-	112,765
Excess of revenue over expenses	<u>\$ 447,909</u>	<u>\$ 204,960</u>

See accompanying notes to consolidated financial statements.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2010, with comparative figures for 2009

	Unrestricted	Internally restricted	Invested in capital assets	2010 Total	2009 Total
Balance, beginning of year	\$ (14,202,515)	\$ 112,765	\$ 14,469,654	\$ 379,904	\$ 74,944
Excess of revenue over expenses (expenses over revenue) (note 7)	846,107	–	(398,198)	447,909	204,960
Interfund transfers (note 13)	(334,623)	334,623	–	–	–
Net change in investment in capital assets (note 7)	13,961,600	–	(13,961,600)	–	–
Forgiveness of loan	–	–	–	–	100,000
Balance, end of year	\$ 270,569	\$ 447,388	\$ 109,856	\$ 827,813	\$ 379,904

See accompanying notes to consolidated financial statements.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Consolidated Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 447,909	\$ 204,960
Items not involving cash:		
Forgiveness of loan	–	(112,765)
Amortization of capital assets	1,120,586	907,578
Amortization of deferred contributions	(722,388)	(474,373)
Change in non-cash operating working capital:		
Accounts receivable	(19,393)	369,703
Inventory	261	45,805
Prepaid expenses	(27,616)	11,429
Accounts payable and accrued liabilities	1,083,637	(1,926,156)
Deferred revenue	(34,000)	34,000
	1,848,996	(939,819)
Financing activities:		
Additions to deferred contributions	343,606	303,015
Deferred contributions repayable to Province	(1,800,000)	–
Repayment of long-term debt		(800)
Construction loan advances	4,926,799	7,000,000
	3,470,405	7,302,215
Investing activities:		
Purchase of capital assets	(1,776,857)	(7,298,734)
Increase (decrease) in cash	3,542,544	(936,338)
Cash, beginning of year	1,795,557	2,731,895
Cash, end of year	\$ 5,338,101	\$ 1,795,557
Supplementary information:		
Interest paid	\$ 104,950	\$ 234,576

See accompanying notes to consolidated financial statements.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements

Year ended March 31, 2010

The Religious Hospitallers of St. Joseph of Cornwall, Ontario (the "Health Centre") was incorporated under the Corporations Act of Ontario and its principal activity is the delivery of health services. The Health Centre is operated as St. Joseph's Continuing Care Centre.

These consolidated financial statements present the consolidated financial position and results of operations of the Health Centre and its subsidiaries. The Health Centre 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 Religious Hospitallers of St. Joseph of Cornwall, Ontario operates under the canonical sponsorship of Catholic Health International. These consolidated financial statements present the financial position and results of operations of The Religious Hospitallers of St. Joseph of Cornwall, Ontario.

Capital assets disclosed in the consolidated statement of financial position include land, buildings and building service equipment, some of which were contributed by the Religious Hospitallers of St. Joseph.

1. Significant accounting policies:

(a) Revenue recognition:

The Health Centre follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto the Health Centre is funded primarily by the Province of Ontario. 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 consolidated financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2010.

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 into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the Ontario Hospital Insurance Plan, in-patient and out-patient services, preferred accommodation and marketed services and recoveries and other revenue is recognized when the goods are sold or the service is provided.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(b) Basis of consolidation:

The consolidated financial statements include the accounts of Hotel Dieu Hospital, St. Joseph's Villa and York Street Properties which are operated by the same administration and owned by the Health Centre.

(c) Inventory:

Inventory is valued at the lower of average cost and net realizable value.

(d) Capital assets:

Purchased capital assets are recorded at cost. The original cost does not reflect replacement cost or market value upon liquidation. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense when incurred. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, its carrying amount is written down to its residual value.

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

Asset	Rate
Land improvements	10%
Buildings	2% to 5%
Building service equipment	4% to 20%
Furniture and equipment	6.67% to 20%
Equipment on capital lease	Straight-line over lease term

The costs incurred for major capital projects are classified separately as construction in progress until the project is complete. When complete the costs are transferred to the appropriate capital asset category and amortized.

(e) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the consolidated financial statements.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2010

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

(g) Deferred contributions:

Grants and donations received for capital purposes are deferred and amortized on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

2. Adoption of new accounting standards:

(a) *Amendments to Accounting Standards that Apply Only to Not-For-Profit Organizations:*

Effective April 1, 2009, the Health Centre adopted the Canadian Institute of Chartered Accountants ("CICA") amendments to the 4400 Sections of the CICA Handbook. These amendments eliminate the requirement to show net assets invested in capital assets as a separate component of net assets, clarify the requirement for revenues and expenses to be presented on a gross basis when the not-for-profit organization is acting as principal and require a statement of cash flows. Adoption of these recommendations had no significant impact on the financial statements for the year ended March 31, 2010.

(b) *Amendments to Section 1000, Financial Statement Concepts:*

Effective April 1, 2009, the Health Centre adopted the CICA amendments to Section 1000 of the CICA Handbook.

These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching revenue and expense items. Adoption of these recommendations had no effect on the Health Centre's financial statements for the year ended March 31, 2010.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2010

3. Accounts receivable:

	2010	2009
Accounts receivable from:		
Residents	\$ 24,897	\$ 38,415
Other	89,796	56,885
	\$ 114,693	\$ 95,300

4. Capital assets:

	Cost	Accumulated amortization	2010 Net book value	2009 Net book value
Land and land improvements	\$ 966,489	\$ 108,394	\$ 858,095	\$ 821,684
Buildings	27,542,995	1,177,755	26,365,240	17,344,793
Building service equipment	2,548,319	286,226	2,262,093	1,448,076
Furniture and equipment	4,845,386	1,787,668	3,057,718	2,351,368
Construction-in-progress	-	-	-	9,920,954
	\$ 35,903,189	\$ 3,360,043	\$ 32,543,146	\$ 31,886,875

Cost and accumulated amortization of capital assets at March 31, 2009 amounted to \$34,126,334 and \$2,239,459 respectively.

5. Long-term debt:

Long-term debt consists of:

	2010	2009
Construction loan, Ontario Infrastructure Projects Corporation, floating interest rate, interest only payable monthly	\$ 15,926,799	\$ 11,000,000

Under a financing agreement dated March 2007, the Religious Hospitallers of St. Joseph of Cornwall, Ontario has a committed loan facility in the amount of \$15,926,799, of which \$15,926,799 (2009 - \$11,000,000) has been drawn.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2010

5. Long-term debt (continued):

Interest is payable monthly on advances under the facility at a floating rate set by the lender. Advances under the facility are anticipated to be satisfied by issuance of debentures to the lender, and will become repayable at the earlier of the debenture issuance date and March 30, 2012.

As of March 31, 2010, \$15,360,875 of the construction loan has been spent on capital assets.

6. Deferred contributions:

(a) Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2010	2009
Balance, beginning of year	\$ 19,341,481	\$ 19,512,839
Deferred contributions received during the year	343,606	303,015
Deferred contributions repayable to Province (estimated)	(1,800,000)	-
Amortization of deferred contributions	(722,388)	(474,373)
Balance, end of year	\$ 17,162,699	\$ 19,341,481

(b) The deferred contributions related to capital assets consist of the following:

	2010	2009
Unamortized deferred contributions used to purchase assets	\$ 17,072,415	\$ 6,417,221
Unspent contributions	90,284	12,924,260
Balance, end of year	\$ 17,162,699	\$ 19,341,481

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2010

7. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2010	2009
Capital assets	\$ 32,543,146	\$ 31,886,875
Amounts financed by:		
Long-term debt	(15,360,875)	(11,000,000)
Deferred contributions	(17,072,415)	(6,417,221)
	\$ 109,856	\$ 14,469,654

(b) Changes in net assets invested in capital assets is calculated as follows:

	2010	2009
Excess of revenue over expenses		
Amortization of deferred contributions	\$ 722,388	\$ 474,373
Amortization of capital assets	(1,120,586)	(907,578)
	\$ (398,198)	\$ (433,205)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 1,776,857	\$ 7,298,734
Amounts funded by deferred contributions	(11,377,582)	–
Proceeds from long-term debt	(4,360,875)	(7,000,000)
Reduction in long-term debt	–	213,565
	\$(13,961,600)	\$ 512,299

8. Related party transactions:

The Health Centre provided management services in the amount of \$44,478 (2009 - \$43,832) to the Religious Hospitallers of St. Joseph Housing Corporation. These amounts are fully reimbursed on an annual basis. The Religious Hospitallers of St. Joseph Housing Corporation is managed and directed by specific employees of the Health Centre and a volunteer board of directors comprised of community representatives.

THE RELIGIOUS HOSPITALLERS OF ST. JOSEPH OF CORNWALL, ONTARIO

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2010

9. Related entities:

The Health Centre has economic interest in the Religious Hospitallers of St. Joseph Health Centre of Cornwall Fund (the "Fund").

During the year, the Health Centre received \$83,000 (2009 - \$Nil) to fund the purchase of a paratransit bus.

10. Pension plan:

Substantially all of the full-time employees of the Health Centre are members of the Hospitals of Ontario Pension Plan. Contributions to the plan made during the year by the Health Centre on behalf of its employees amounted to \$637,034 (2009 - \$610,077) and are included in the employee benefits in the consolidated statement of operations.

11. Contingencies:

(a) The Health Centre has been named in various lawsuits. These are presently in the hands of the Hospital's insurance company and legal advisors, and the amount of possible loss or the likelihood of loss is not determinable.

(b) Pursuant to an agreement with a chartered bank, the Health Centre has registered a letter of guarantee in the amount of \$50,000 to the Corporation of the City of Cornwall. As at March 31, 2010, the instrument has not been drawn upon.

12. Fair value of financial instruments:

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity. The carrying value of third-party long-term debt approximates its fair value due to the fact that it would be available to the Health Centre at similar terms.

13. Internally restricted:

In 2009, the Health Centre's board passed a resolution to internally restrict a portion of the loan forgiveness of \$112,765 for the redevelopment project.

In 2010, the Health Centre's board passed a resolution to internally restrict \$334,623 for future capital expenses.