



Financial Statements

Turnbull Nursing Home Inc.

March 31, 2020

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Independent auditor's report



To the Board of Directors of
Turnbull Nursing Home Inc.

Opinion

We have audited the financial statements of Turnbull Nursing 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Turnbull Nursing Home as at March 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Independent auditor's report (continued)

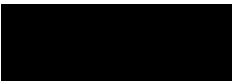
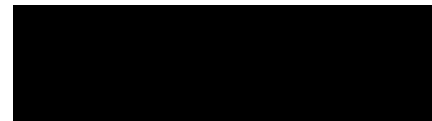
Auditor's Responsibilities for the audit of the financial statements

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 generally accepted auditing standards 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.

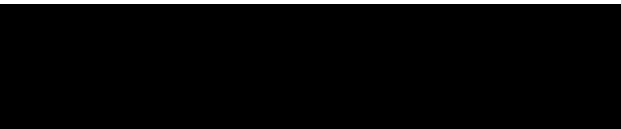
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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



Turnbull Nursing Home Inc.

Statement of Financial Position

March 31 2020 2019

Assets

Current		
Cash	\$ 527,621	\$ 427,893
Investments	1,499,063	1,456,304
Receivables (Note 3)	39,936	66,515
Receivable from Turnbull Home Foundation	-	1,057
Prepaid expenses	<u>11,633</u>	<u>10,670</u>
	2,078,253	1,962,439
Restricted cash – replacement reserve account (Note 2)	166,790	152,050
Property and equipment (Note 4)	<u>3,637,307</u>	<u>4,064,550</u>
	\$ 5,882,350	\$ 6,179,039

Liabilities

Current		
Payables and accruals (Note 5)	\$ 960,287	\$ 952,445
Current portion of long-term debt (Note 6)	<u>504,931</u>	<u>491,152</u>
	1,465,218	1,443,597
Deferred contributions related to replacement reserve (Note 2)	166,790	152,050
Long-term debt (Note 6)	<u>3,395,167</u>	<u>3,899,668</u>
	3,561,957	4,051,718
Deferred government assistance related to property and equipment (Note 2)	100,227	82,917
Deferred contributions related to expansion project (Note 2)	<u>401,885</u>	<u>459,881</u>
	502,112	542,798
Net assets (deficiency)		
Employee Assistance Fund	2,950	3,487
Investment in property and equipment	(764,903)	(869,068)
General Fund	<u>1,115,016</u>	<u>1,006,507</u>
	353,063	140,926
	\$ 5,882,350	\$ 6,179,039

Commitments (Note 11)

On behalf of the board

_____ Director

_____ Director

Turnbull Nursing Home Inc. Statement of Changes in Net Assets

Year ended March 31

2020

2019

	Employee Assistance Fund	Investment in property and equipment	General Fund	Total	Total
Net assets (deficiency)					
Balance (deficiency), beginning of year	\$ 3,487	\$ (869,068)	\$1,006,507	\$ 140,926	\$ (85,584)
Excess (deficiency) of revenues over expenses	(537)	-	212,674	212,137	226,510
Investment in property and equipment	-	<u>104,165</u>	<u>(104,165)</u>	-	-
Balance (deficiency), end of year	\$ <u>2,950</u>	\$ <u>(764,903)</u>	\$ <u>1,115,016</u>	\$ 353,063	\$ <u>140,926</u>

Turnbull Nursing Home Inc.

Statement of Operations

Year ended March 31	2020	2019
Revenue		
Board, lodging and care (Note 7)	\$ 4,337,779	\$ 4,283,870
Provincial contribution for debt repayment (Note 2)	606,492	606,492
Amortization of deferred contributions	57,996	57,996
Meals – employees	6,413	7,465
Sundry revenue	5,152	36,415
Grants received for job creation	11,801	16,065
Interest income	38,111	34,257
Donations	8,929	6,680
Realized and unrealized investment gains	672	2,636
Total revenue	<u>5,073,345</u>	<u>5,051,876</u>
Expenditures (Page 15)		
Nursing	1,921,538	1,925,903
Dietary	491,133	482,550
Laundry	104,537	105,688
Housekeeping	228,998	218,780
Maintenance	605,641	606,290
Administrative	245,253	244,597
Pensions	243,017	237,205
Other employee benefits	415,975	390,887
Depreciation	497,666	494,890
Interest on long-term debt	115,435	128,555
Loss on disposal of assets	1,842	2,025
Net employment relief	537	(447)
Total expenditures	<u>4,871,572</u>	<u>4,836,923</u>
Excess of revenue over expenditures before donation from Turnbull Home Foundation	201,773	214,953
Donation from Turnbull Home Foundation (Note 8)	<u>10,364</u>	<u>11,557</u>
Excess of revenues over expenditures	\$ <u>212,137</u>	\$ <u>226,510</u>

Turnbull Nursing Home Inc. Statement of Cash Flows

Year ended March 31

2020

2019

Increase (decrease) in cash and cash equivalents

Operating

Excess of revenues over expenditures	\$ 212,137	\$ 226,510
Depreciation, net of amortization of deferred contribution related to expansion project	439,670	436,894
Loss on disposal of assets	1,842	2,025
Realized and unrealized gains on disposal of investments	<u>(672)</u>	<u>(2,636)</u>
	652,977	662,793
Changes in non-cash working capital		
Receivables	26,579	(45,721)
Prepaid expenses	(963)	3,451
Payables and accruals	7,842	(49,476)
Receivable from Turnbull Home Foundation	<u>1,057</u>	<u>(1,022)</u>
	<u>687,492</u>	<u>570,025</u>

Investing

Purchase of investments	(387,602)	(274,132)
Proceeds from sale of investments	345,515	249,604
Purchase of equipment	<u>(54,955)</u>	<u>(23,785)</u>
	<u>(97,042)</u>	<u>(48,313)</u>

Financing

Repayment of long-term debt	<u>(490,722)</u>	<u>(477,610)</u>
Net increase in cash and cash equivalents	99,728	44,102
Cash and cash equivalents, beginning of year	<u>427,893</u>	<u>383,791</u>
Cash and cash equivalents, end of year	\$ <u>527,621</u>	\$ <u>427,893</u>

Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

1. Nature of operations

Turnbull Nursing Home Inc. (the "Home") operates a 50 bed nursing home for the elderly and physically infirm in Saint John, New Brunswick, formerly operated by the Turnbull Home Foundation.

The Home was incorporated on April 1, 1995 under the Acts of Incorporation of the Province of New Brunswick, is a registered charity, and is exempt from income tax under Section 149 (1)(f) of the Income Tax Act of Canada.

2. Summary of significant accounting policies

Basis of presentation

The Home's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

The Home uses the deferral method of accounting for revenue.

The Employee Assistance Fund was created in 1996. Its creation was authorized by Human Resources and Development Canada. The Home receives a rebate of a portion of its employment insurance rate. The rebate occurs because the Home's short-term disability plan covers employment insurance to employees, therefore there is a reduced rate on the employer's portion of employment insurance. The difference between the regular employer rate of 1.4 and the annual discounted rate is accumulated in this fund. Beginning in 2012 the Department of Social Development adjusted the employment insurance rates to exclude the employer share of the 5/12 savings from the premium reduction. The funds are used to aid employees who require counselling, to pay for certain employee course costs such as CPR and Red Cross courses and for employee appreciation.

Amounts invested in property and equipment represent the assets, liabilities, revenues and expenses related to the Home's property and equipment.

The General Fund accounts for assets, liabilities, revenues and expenses relating to the operational activities of the Home.

Revenue

Revenue from the provision of board, lodging and care services is recognized when the services are provided and collection is reasonably assured.

The Province of New Brunswick fully funds the monthly payments on long-term debt incurred for the building expansion through monthly contributions to the Home. These contributions are recognized as revenue as they are received.

All other revenue is recognized when received.

Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Property and equipment

Significant expenditures on buildings, building renovations, fixtures and equipment are capitalized and amortized. Government grants and other donations received for the purchase of property and equipment, that will be amortized, are deferred and recognized on the same basis as the amortization expense relating to the asset as a credit against depreciation expense on the statement of operations. During the year grants and donations in the amount of \$24,990 (2019 - \$8,386) were received for the purchase of property and equipment.

Depreciation on property and equipment is calculated using the following rates:

Computer equipment	3 years, straight-line
Electronics, tools and automotive	5 years, straight-line
Equipment	20 years, straight-line
Leasehold improvements	20 years, straight-line

Deferred contributions related to expansion project

Restricted contributions in the amount \$1,160,000, provided by the Turnbull Home Foundation for the expansion project, have been deferred and are being recognized as revenue on the same basis as the depreciation expense related to the cost of the expansion (leasehold improvements).

Deferred revenue related to replacement reserve

This is a special reserve account set up with funding provided annually by the Department of Social Development. The [REDACTED] financing agreement states that during the entire term of financing, the Home set aside, on an annual basis, funds to be used only for major building maintenance or machinery/equipment/fixture replacement. The Home will deposit an amount equal to \$12,000 less any amounts required to be set aside for the same purpose pursuant to any other loan/mortgage agreement to a special reserve account identified for the intended purpose. Such reserve funds are to be accumulated to a maximum amount of \$200,000. Withdrawals from this reserve account will require prior approval of the [REDACTED] such approval not to be unreasonably withheld. Nursing Home Services of the Department of Social Development will also be notified of the item requested for withdrawal of funds.

Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the fair value of investments and useful life of property and equipment. Actual results may differ from those estimates.

Investments

Portfolio investments consist of fixed income securities and are recorded at fair value.

Interest income is included in investment income and recognized in the period earned. Unrealized losses are included in investment income and recognized in the period in which they arise.

Fair values of marketable securities are determined based on quoted market values available from recognized public stock exchanges and recognized dealers in such securities.

Financial instruments

The Home considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Home accounts for the following as financial instruments:

- Cash and cash equivalents
- Accounts receivables
- Investments
- Payables and accruals
- Long-term debt

A financial asset or liability is recognized when the Home becomes party to contractual provisions of the instrument.

Initial recognition

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Financing fees and transaction costs on financial instruments subsequently measured at fair value are expensed as incurred.

Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

2. Summary of significant accounting policies (continued)

Subsequent measurement

Financial assets and financial liabilities are subsequently measured according to the following methods:

Cash and cash equivalents	Amortized cost (which approximates fair value)
Accounts receivable	Amortized cost
Investments	Fair value
Payables and accruals	Amortized cost
Long-term debt	Amortized cost

Financing fees and transaction costs related to the origination, acquisition, issuance or assumption of financial assets and financial liabilities, subsequently measured at cost or amortized cost, are included as part of the adjusted fair value of the financial asset or financial liability on initial measurement and subsequently the fees and costs are amortized into net income on a straight-line basis over the term of the related debt. All other transaction costs are recognized in net income in the period incurred.

The Home removes financial liabilities, or a portion thereof, when the obligation is discharged, cancelled or expires.

A financial asset (or group of similar financial assets) measured at cost or amortized cost are tested for impairment when there are indicators of impairment. Impairment losses are recognized in the statement of operations. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in excess of revenues over expenditures.

3. Receivables	<u>2020</u>	<u>2019</u>
Residents	\$ 7,561	\$ 8,415
Province of New Brunswick	11,950	13,642
Sundry	410	5,259
HST receivable	<u>20,015</u>	<u>39,199</u>
	\$ <u>39,936</u>	\$ <u>66,515</u>

Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

4. Property and equipment

			<u>2020</u>	<u>2019</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer equipment	\$ 14,445	\$ 8,592	\$ 5,853	\$ -
Electronics, tools and automotive Equipment	22,226 405,335	15,920 126,520	6,306 278,815	8,859 226,339
Leasehold improvements	<u>9,660,366</u>	<u>6,314,033</u>	<u>3,346,333</u>	<u>3,829,352</u>
	<u>\$10,102,372</u>	<u>\$ 6,465,065</u>	<u>\$ 3,637,307</u>	<u>\$ 4,064,550</u>

5. Payables and accruals

	<u>2020</u>	<u>2019</u>
Suppliers	\$ 73,525	\$ 77,016
Accrued wages	79,853	67,866
Accrued vacation pay	215,576	212,830
Sick leave liability for staff being replaced	545,707	493,107
Residents' trust accounts	21,516	32,498
Accrued pension payments	-	31,822
Accrued interest on long-term debt	2,664	2,999
Accrued retiring allowances	18,998	27,183
Other	<u>2,448</u>	<u>7,124</u>
	<u>\$ 960,287</u>	<u>\$ 952,445</u>

6. Long-term debt

	<u>2020</u>	<u>2019</u>
Renewed in May 2017 - ████████████████████ fixed rate term note bearing interest of 2.77%, repayable in monthly, blended instalments of \$50,541 through to April 2027, amortized over a 10 year term.	\$ 3,900,098	\$ 4,390,820
Less: current portion	<u>504,931</u>	<u>491,152</u>
	<u>\$ 3,395,167</u>	<u>\$ 3,899,668</u>

Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

6. Long-term debt (continued)

Principal repayments over the next five years are as follows:

2021	504,931
2022	519,097
2023	533,660
2024	548,631
2025	564,023

7. Board, lodging and care revenue

	<u>2020</u>	<u>2019</u>
Department of Social Development	\$ 3,015,266	\$ 2,974,724
Old age security and supplements	1,009,530	946,089
Paying residents	309,375	359,236
Relief care bed	<u>3,608</u>	<u>3,821</u>
	<u>\$ 4,337,779</u>	<u>\$ 4,283,870</u>

8. Related party transactions

Turnbull Home Foundation, an entity under common control, periodically provides donations to the Home. In addition, the net income of the George E. Barbour Pension Trust Fund (which is administered by Turnbull Home Foundation) is transferred to the Home each year. The amount of donations and transfers during fiscal 2020 was \$10,364 (2019 - \$11,557).

The Turnbull Home Foundation leases its real and personal property to the Home for \$10 annually. The Home is responsible for the property taxes on the leased property.

9. Employee pension plans

The Home and its employees participate in Provincial contributory defined benefit pension plans for management employees, nursing and paramedical employees and general and service employees of New Brunswick nursing homes. These pension plans provide pensions based on the length of service and best average earnings.

Pension benefits and assets are for all members of the Provincial plan and are not segregated by nursing home. Defined contribution plan accounting is applied to the contributory defined benefit pension plan for which the Home has insufficient information to apply defined benefit plan accounting.

Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

10. Financial instruments

The Home's financial instruments consist of cash and cash equivalents, accounts receivable, investments, payables and accruals and long-term debt.

As outlined in Note 2, investments are carried at fair value. Accounts receivable and payables and accruals are carried at amortized cost, which approximates fair value due to their short-term maturities. The fair value of cash and cash equivalents approximates carrying value due to the short-term nature of these financial instruments.

The Home is exposed to the following risks related to its financial instruments.

Credit risk

Credit risk is the risk to the Home arising from the possibility that parties will default on their obligations to the organization, which will cause it to incur a loss. It is the opinion of management and the Board of Directors the Home is not exposed to significant credit risk because its cash and investments are invested with major financial institutions.

Management and the Board of Directors believe there is no concentration of credit risk with regard to accounts receivable.

Liquidity risk

Liquidity risk is the risk the Home may not have cash available to satisfy financial liabilities as they come due. Liquidity risk may also result from an inability to sell a financial asset quickly at close to its fair value. To mitigate liquidity risk the Home monitors its level of liquidity on a regular basis.

Interest rate risk

Interest rate risk refers to the risk that fair values of financial instruments will fluctuate because of changes in market interest rates.

The Home is exposed to interest rate risk through its investment in fixed rate debt securities and its long-term debt. Management and the Board of Directors mitigates this risk through regular review of the investments and terms of the debt and believes there is not a significant risk arising from interest rate risk.

11. Commitments

The Home has entered into an operating lease for office equipment. The minimum lease payment for the next year is as follows:

2021	\$ 1,803
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Turnbull Nursing Home Inc.

Notes to the Financial Statements

March 31, 2020

12. Capital disclosures

Management defines capital as the Home's net assets. The Home's objective when managing capital is to maintain financial strength to sustain the long-term delivery of its services so the Home can achieve its mission.

13. Subsequent events

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Home has determined that the initial impact of these events have been reflected in the statements for the year ended March 31, 2020. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity.

Turnbull Nursing Home Inc.

Schedule of Operating Expenses

Year ended March 31	2020	2019
Expenses		
Nursing		
Salaries	\$ 1,828,143	\$ 1,819,542
Supplies	27,758	27,009
Incontinent supplies	20,857	25,138
Activities	38,293	47,303
Retainer	5,762	5,762
Pastoral	725	1,149
	<u>\$ 1,921,538</u>	<u>\$ 1,925,903</u>
Dietary		
Salaries	\$ 330,968	\$ 324,926
Food	141,032	140,845
Supplies	14,295	11,598
Repairs and replacements	4,838	5,181
	<u>\$ 491,133</u>	<u>\$ 482,550</u>
Laundry		
Salaries	\$ 21,411	\$ 21,420
Supplies	1,199	1,806
Services	81,927	82,462
	<u>\$ 104,537</u>	<u>\$ 105,688</u>
Housekeeping		
Salaries	\$ 211,325	\$ 200,718
Supplies	4,388	5,896
Garbage	13,285	12,166
	<u>\$ 228,998</u>	<u>\$ 218,780</u>
Home maintenance		
Salaries	\$ 101,225	\$ 101,083
Heat	49,884	64,181
Light	82,453	81,686
Water and sewerage	20,166	17,986
Insurance	8,721	8,488
Property taxes	261,679	258,361
Supplies	35,354	38,170
Contracts	10,202	12,521
Repairs	35,380	22,635
Transport	577	1,179
	<u>\$ 605,641</u>	<u>\$ 606,290</u>
Administrative		
Accounting	\$ 28,754	\$ 35,065
Audit and legal	10,760	12,038
Employment program salaries	12,673	17,768
Insurance	1,839	1,803
Interest and service charges	4,054	4,150
Membership fees	9,126	9,112
Office supplies and equipment	15,240	12,708
Rent (Note 8)	10	10
Salaries	139,022	127,639
Sundry	11,287	9,683
Telephone	11,717	12,754
Transportation	771	1,867
	<u>\$ 245,253</u>	<u>\$ 244,597</u>