



Grant Thornton

Financial statements

Acclaim Health and Community Care Services

March 31, 2021

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Independent auditor's report

Grant Thornton LLP
Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509

To the Board of Directors of
Acclaim Health and Community Care Services

Opinion

We have audited the financial statements of **Acclaim Health and Community Care Services** ("the Organization"), which comprise the balance sheet 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.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of **Acclaim Health and Community Care Services** as at March 31, 2021, 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 2 to the financial statements which describes that Acclaim Health and Community Care Services amalgamated with Seniors Enjoy Nurturing Activities Companionship Achievements (S.E.N.A.C.A) on April 1, 2020. Merger accounting was applied retrospectively by management to the comparative information in these financial statements, including 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 ended March 31, 2020 and related disclosures. Our opinion is not modified in respect of this matter.

We were not engaged to report on the comparative information, and as such, it is unaudited.

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.

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.

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Mississauga, Canada
June 10, 2021

Chartered Professional Accountants
Licensed Public Accountants

Acclaim Health and Community Care Services

Balance sheet

March 31

2021

2020

(Unaudited
– see Note 2)

Assets

Current

Cash and cash equivalents	\$ 7,559,938	\$ 3,139,328
Short-term investments (Note 4)	796,209	5,632,977
Accounts receivables	2,487,410	1,325,419
Prepaid expenses	<u>284,457</u>	<u>204,488</u>
	<u>11,128,014</u>	<u>10,302,212</u>

Investments (Note 4)	303,329	719,650
Goodwill (Note 5)	1,600,000	-
Capital assets (Note 6)	<u>8,307,878</u>	<u>4,751,653</u>
	<u>\$ 21,339,221</u>	<u>\$ 15,773,515</u>

Liabilities

Current

Accounts payable and accrued liabilities (Note 7)	\$ 4,684,311	\$ 2,258,612
Current portion of mortgage payable (Note 8)	69,000	69,000
Deferred income	<u>239,598</u>	<u>99,737</u>
	<u>4,992,909</u>	<u>2,427,349</u>

Long-term

Mortgage payable (Note 8)	1,518,000	1,587,000
Deferred capital contributions (Note 9)	<u>5,812,548</u>	<u>3,016,579</u>
	<u>12,323,457</u>	<u>7,030,928</u>

Net assets

Net assets invested in capital assets	908,330	79,074
Net assets internally restricted (Note 10)	1,383,997	1,383,997
Unrestricted net assets	<u>6,723,437</u>	<u>7,279,516</u>
	<u>9,015,764</u>	<u>8,742,587</u>

\$ 21,339,221 \$ 15,773,515

Commitments and contractual obligations (Note 13)

Credit facilities (Note 16)

On behalf of the Board

 Chairperson  Treasurer

See accompanying notes to the financial statements.

Acclaim Health and Community Care Services

Statement of Changes in Net Assets

Year ended March 31, 2021

	<u>Invested in Capital Assets</u>	<u>Internally Restricted</u> <small>(Note 10)</small>	<u>Unrestricted</u>	<u>2021 Total</u>	<u>2020 Total</u> <small>(Unaudited - see Note 2)</small>
Balance, beginning of year	\$ 79,074	\$ 1,383,997	\$ 7,279,516	\$ 8,742,587	\$ 8,229,524
Excess (deficiency) of revenues over expenditures	(243,929)	-	517,106	273,176	513,063
Purchase of capital assets	3,800,154	-	(3,800,154)	-	-
Repayment of mortgage	69,000	-	(69,000)	-	-
Capital contributions received in the year	<u>(2,795,969)</u>	<u>-</u>	<u>2,795,969</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 908,330</u>	<u>\$ 1,383,997</u>	<u>\$ 6,723,437</u>	<u>\$ 9,105,764</u>	<u>\$ 8,742,587</u>

See accompanying notes to the financial statements.

Acclaim Health and Community Care Services

Statement of Operations

Year ended March 31, 2021

	<u>Fund Type 2</u>	<u>Fund Type 3</u>	<u>2021</u>	<u>2020</u> (Unaudited - see Note 2)
Revenues				
Fees for service	\$ 15,432	\$ 25,347,269	\$ 25,362,701	\$ 25,890,121
Government funding (Note 11)	4,845,130	2,368,084	7,213,214	4,847,036
Donations and community grants	386,415	478,612	865,027	432,040
Other income	41,735	80,927	122,662	101,373
Investment income	-	113,628	113,628	105,610
	<u>5,288,712</u>	<u>28,388,520</u>	<u>33,677,232</u>	<u>31,376,180</u>
Expenditures				
Salaries	4,228,813	21,186,405	25,415,218	22,819,224
General expenses (Note 15)	2,325,158	633,614	2,958,772	3,247,298
Employee benefits	521,313	2,275,612	2,796,925	2,811,083
Occupancy costs	655,704	183,052	838,756	792,576
Program supplies	38,411	572,150	610,560	311,874
Employee pension	138,863	286,078	424,941	453,928
Equipment costs	146,078	108,150	254,229	263,380
Office expenses	66,764	37,891	104,655	163,754
Corporate services allocations	(2,253,784)	2,253,784	-	-
	<u>5,867,320</u>	<u>27,536,736</u>	<u>33,404,056</u>	<u>30,863,117</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(578,608)</u>	\$ <u>851,784</u>	\$ <u>273,176</u>	\$ <u>513,063</u>

See accompanying notes to the financial statements.

Acclaim Health and Community Care Services

Statement of Cash Flows

Year ended March 31	2021	2020
		(Unaudited – see Note 2)
Cash flows from operating activities		
Excess of revenues over expenditures	\$ 273,176	\$ 513,063
Charges not involving cash		
Amortization	243,929	280,860
Loss on disposal of capital assets	-	22,226
Unrealized gain on investments	<u>(38,687)</u>	<u>8,384</u>
	<u>478,418</u>	<u>824,533</u>
Change in non-cash working capital items		
Accounts receivables	(1,161,991)	(27,711)
Prepaid expenses	(79,969)	(459)
Accounts payable and accrued liabilities	2,425,699	266,918
Deferred income	<u>139,861</u>	<u>(13,362)</u>
	<u>1,802,018</u>	<u>1,049,919</u>
Cash flows from financing activities		
Payment of mortgage payable	(69,000)	(69,000)
Deferred capital contributions received	<u>2,795,969</u>	<u>1,812,615</u>
	<u>2,726,969</u>	<u>1,743,615</u>
Cash flows from investing activities		
Purchase of investments	(772,523)	(2,010,868)
Maturity of investments	6,064,300	490,881
Acquisition of CalaCare goodwill	(1,600,000)	-
Purchase of capital assets	<u>(3,800,154)</u>	<u>(434,775)</u>
	<u>(108,377)</u>	<u>(1,954,762)</u>
Net increase in cash and cash equivalents	4,420,610	838,772
Cash and cash equivalents, beginning of year	<u>3,139,328</u>	<u>2,300,556</u>
Cash and cash equivalents, end of year	<u>\$ 7,559,938</u>	<u>\$ 3,139,328</u>

See accompanying notes to the financial statements.

Acclaim Health and Community Care Services

Notes to the financial statements

March 31, 2021

1. Nature of operations

Acclaim Health and Community Care Services (Acclaim Health or the "Organization") is a community based health organization dedicated to the provision of quality and cost effective health related services. Services currently provided by the Organization include Nursing, Home and Personal Support, Community Support, Alzheimer Services and Palliative Care Consultation Program.

The Organization is a registered charitable organization, registered under the Income Tax Act (the "Act") and, as such, under paragraph 149(1)(f), is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. Amalgamation of Acclaim Health and Seniors Enjoy Nurturing Activities Companionship Achievements (S.E.N.A.C.A)

Through Articles of Amalgamation, effective April 1, 2020, Acclaim Health and S.E.N.A.C.A amalgamated and continued operations as Acclaim Health and Community Care Services. The objective of the amalgamation was to further the predecessor organizations' shared goal of providing programs to support physical and mental well-being through independent living, reduced social isolation and innovative care. The merger will enable the combined Organization to deepen its support for this population.

Section 4449 Combinations by not-for-profit organizations, effective for fiscal years beginning on or after January 1, 2022, provides guidance for entities combining. The principles and guidance in Section 4449 have been adopted by the Organization to determine the accounting, presentation and disclosure of the amalgamation as at April 1, 2020.

Under Section 4449, to be considered a merger the following five criteria must be met:

- No party to the combination was characterized as either the acquirer or acquiree, either by its own board or management or by that of the other party to the combination.
- Those charged with governance of Acclaim Health and S.E.N.A.C.A participated in determining the terms of the combination. This included establishing the governance and management structures of Acclaim Health and S.E.N.A.C.A and in selecting management personnel.
- Except for transaction costs, no significant consideration flowed to a third party of Acclaim Health or S.E.N.A.C.A to form Acclaim Health.
- Acclaim Health and S.E.N.A.C.A encompassed the purposes of both Acclaim Health and S.E.N.A.C.A at the combination date.
- At the combination date, there was no significant decline or planned significant decline in the client communities served by Acclaim Health and S.E.N.A.C.A.

Acclaim Health and Community Care Services

Notes to the Financial Statements

March 31, 2021

2. Amalgamation of Acclaim Health and S.E.N.A.C.A (continued)

As a result, on April 1, 2020, the assets, liabilities, and net assets of the predecessor organizations were combined at their carrying amounts, with adjustments to align their accounting policies to those of the new organization. Also, the unaudited comparative period was combined as if Acclaim Health and S.E.N.A.C.A had always been combined (with their accounting policies also adjusted to align to the new Organization). There was no adjustment made to the aggregated results, as both organizations followed consistent accounting policies prior to the merger. S.E.N.A.C.A's financial statements for the period ending March 31, 2020 were audited by a predecessor auditor. Tables below demonstrate the impact of the combination on the comparative period to the carrying amounts of the predecessor organizations:

Combined Statement of Financial Position (Unaudited)

As at March 31, 2020

	<u>Acclaim Health</u>	<u>S.E.N.A.C.A</u>	<u>Combined total</u>
Total assets	\$ 15,055,306	\$ 718,209	\$ 15,773,515
Total liabilities	6,853,242	177,686	7,030,928
Net assets			
Invested in capital assets	79,074	-	79,074
Internally restricted	1,383,997	-	1,383,997
Unrestricted	<u>6,738,993</u>	<u>540,523</u>	<u>7,279,516</u>
	<u>\$ 8,202,064</u>	<u>\$ 2,524,414</u>	<u>\$ 8,742,587</u>

Combined Statement of Operations (Unaudited)

For the year ended March 31, 2020

	<u>Acclaim Health</u>	<u>S.E.N.A.C.A</u>	<u>Combined total</u>
Revenues	\$ 30,183,358	\$ 1,192,822	\$ 31,376,180
Expenses	<u>29,665,317</u>	<u>1,197,800</u>	<u>30,863,117</u>
Excess (deficiency) of revenue over expenditures	<u>\$ 518,041</u>	<u>\$ (4,978)</u>	<u>\$ 513,063</u>

Acclaim Health and Community Care Services

Notes to the Financial Statements

March 31, 2021

3. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations.

Business combination

Business combinations occur where the Organization (as an acquirer) obtains control over one or more businesses and results in the consolidation of assets, and liabilities on the date of the transaction.

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. Business combinations are accounted for from the date control is attained whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognized in the financial statements. The Organization recognizes acquisition and related costs, in the period incurred, and records these costs to general expenses in the statement of operations.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. Goodwill is recognized as the excess of the fair value of consideration given.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and investments having a maturity of 90 days or less. Restricted cash and other borrowings to finance capital and operating expenditures are considered to be financing activities.

Financial instruments

The Organization's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, long-term investments, accounts payable and accrued liabilities, and mortgage payable. All financial instruments are initially recognized at fair value and subsequently measured at amortized cost, except investments which are measured at fair value. Transaction costs and financing fees associated with financial instruments carried at amortized cost are recorded as adjustments to the initial fair value recognized and amortized over the life of the financial instrument.

Capital assets

Capital assets are recorded at cost. Amortization is provided as follows:

Building	15-40 years, straight-line basis
Office and information technology equipment	4-10 years, straight-line basis
Property and building improvements	5-20 years, straight-line basis

Capital assets are tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable, if any potential impairment is identified, the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of capital assets is recognized in income in the year in which the impairment occurs.

An impairment loss is not reversed if the fair value of the capital asset subsequently increases.

Acclaim Health and Community Care Services

Notes to the Financial Statements

March 31, 2021

3. Summary of significant accounting policies (continued)

Revenue recognition

The accounting for contributions is based on the deferral method. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received. Endowment contributions are recognized as direct increases in net assets. Unrestricted investment income is recognized as revenue when earned. Fees for service revenue is recognized as revenue in the period in which the related service has occurred.

Government assistance received related to current expenses are recognized in the statement of operations. When government subsidies relate to future expenses, the Organization defers the assistance and recognizes it in the statement of operations as the related expenses are incurred.

Fund Type 2 relates to funding received directly from LHINs and other revenue such as fee-for-service related to LHIN-funded programs, grants and donations. Fund Type 3 relates to revenue received from all other sources.

Corporate services allocations

Corporate services are allocated to various departments within the Organization based on each department's proportionate share of operating expenses, with the exception of Pension contribution costs relating to the Acclaim Health Pension Plan.

Employee pension plan

The Organization recognizes the defined benefit obligation, net of the fair value of plan assets on the balance sheet. Current service and finance costs are expensed during the year, while remeasurements and other items, representing the total of the difference between actual and expected return on plan assets, actuarial gains and losses, and past service costs, are recognized as a direct increase or decrease in net assets. The Organization has elected to use an actuarial valuation prepared for funding purposes to measure the defined benefit obligation in respect of its pension plan. The defined benefit obligation is determined using a rollforward technique to estimate the accrued obligation using funding assumptions from the most recent actuarial valuation prepared at least every three years. Defined benefit pension plan assets are measured at fair value at the date of the balance sheet.

Use of estimates

The preparation of financial statements 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 expense during the period. Actual results could differ from those estimates.

Goodwill

Goodwill represents the excess of the purchase consideration paid for an enterprise over the net of the fair value of the assets acquired and liabilities assumed. Goodwill is not amortized. Goodwill is tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the reporting unit to which the goodwill is assigned may exceed the reporting unit's fair value.

Acclaim Health and Community Care Services

Notes to the Financial Statements

March 31, 2021

4. Investments

Short-term investments consists of guaranteed investment certificates (GIC) bearing interest at rates ranging 1.5% to 2.86% and maturing between May 2021 to May 2022.

In 2015, the Organization undertook two separate investments with the Oakville Community Foundation. The first of these was the transferring of the Bradley Endowment Fund, which had a principal amount of \$100,000. The principal amount of this fund shall remain as an endowed amount with the Oakville Community Foundation and is not disclosed in these financial statements, with the Organization being entitled to the income earned on this investment. The second investment of principal and interest is valued at \$201,922 (2020 - \$170,194) and is held in the Oakville Community Foundation's Investment Pooling Account. This investment can be redeemed at any time by the Organization, with 30 days' notice. There is, however, no intention to redeem this investment within the next fiscal year, and as such it has been classified as a long term investment.

	<u>2021</u>	<u>2020</u>
Oakville Community Foundation	\$ 201,922	\$ 170,194
Guaranteed investment certificates	-	271,856
Term deposits (matures past 12 months)	<u>101,407</u>	<u>277,600</u>
	<u>\$ 303,329</u>	<u>\$ 719,650</u>

5. Business combination and goodwill

On December 1, 2020, the Organization acquired 100% of the issued common shares of CalaCare Ltd. (CalaCare) for cash consideration of \$1,600,000. CalaCare operated a home health care business in Oakville, Burlington, Milton, Mississauga and Brampton, Ontario. Immediately after the acquisition, CalaCare was wound up, and the operations are continuing within Acclaim Health. The Organization executed the transaction pursuant to its strategy of growth through acquisition. Specifically, the Organization believes the acquisition provided it with the opportunity to diversify its services and providing nursing and personal support to those in need.

The business combination was accounted for using the acquisition method. The acquisition of employees and access to clients resulted in goodwill of \$1,600,000.

Results from CalaCare from the date of acquisition have been included in the Organization's statement of operations. The Organization has accounted for this business combination by applying the acquisition method of accounting.

Acquisition costs for the acquisition of CalaCare are included in selling, general and administration expenses for the year ended March 31, 2021 and amount to \$147,766 (2020 - \$Nil).

Acclaim Health and Community Care Services

Notes to the Financial Statements

March 31, 2021

6. Capital assets			<u>2021</u>	<u>2020</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 1,765,659	\$ -	\$ 1,765,659	\$ 1,765,659
Building	1,534,449	982,169	552,280	610,597
Construction in progress	5,214,933	-	5,214,933	1,449,267
Office and information technology equipment	933,209	743,959	189,250	257,080
Property and building improvements	<u>809,314</u>	<u>223,558</u>	<u>585,755</u>	<u>669,050</u>
	<u>\$ 10,257,564</u>	<u>\$ 1,949,686</u>	<u>\$ 8,307,878</u>	<u>\$ 4,751,653</u>

Included in equipment costs and occupancy costs is a total of \$243,929 (2020 - \$280,860) of capital asset amortization expense.

In the prior year, the Organization acquired a new property for a total cost of \$2,300,000, which has been allocated between land and construction in progress. The building continued to be under renovation and has not yet been put into use, and as such, no amortization expense has been recognized in fiscal 2021.

7. Accounts payable and accrued liabilities	<u>2021</u>	<u>2020</u> (Unaudited)
Accounts payable and accrued liabilities	\$ 2,747,832	\$ 1,711,611
CalaCare transaction and acquisition costs payable	1,231,728	-
Surplus repayable to Ministry of Health	396,900	188,671
Pension plan payable	228,964	301,247
Payroll source deductions payable	<u>78,887</u>	<u>57,083</u>
	<u>\$ 4,684,311</u>	<u>\$ 2,258,612</u>

Acclaim Health and Community Care Services

Notes to the Financial Statements

March 31, 2021

8. Mortgage payable

	<u>2021</u>	<u>2020</u>
Mortgage payable bearing interest at prime plus 0.5% per annum, repayable in monthly principal payments of \$5,750. Term is one year and amortization is 25 years.	\$ 1,587,000	\$ 1,656,000
Less current portion	<u>(69,000)</u>	<u>(69,000)</u>
Long-term portion	<u>\$ 1,518,000</u>	<u>\$ 1,587,000</u>

Scheduled repayment on the long-term mortgage payable over the next five years are as follows:

2022	\$ 69,000
2023	69,000
2024	69,000
2025	69,000
2026	69,000
Thereafter	<u>1,242,000</u>
	<u>\$ 1,587,000</u>

9. Deferred capital contributions

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 3,016,579	\$ 1,203,964
Restricted capital donations received	<u>2,795,969</u>	<u>1,812,615</u>
Balance, end of year	<u>\$ 5,812,548</u>	<u>\$ 3,016,579</u>

Deferred capital contributions include amounts collected through the capital campaign for the purchase and renovation of a newly acquired building, which will house current and expanded services of the Organization's Alzheimer's program. Once construction is complete and the building is put into use, the deferred capital contributions will be amortized into income as the related assets are amortized.

10. Internally restricted net assets

	<u>2021</u>	<u>2020</u>
Lindsay/Werry Educational	\$ 23,997	\$ 23,997
Matthews Library	10,000	10,000
Severance Contingencies	1,100,000	1,100,000
Pension Fund	<u>250,000</u>	<u>250,000</u>
	<u>\$ 1,383,997</u>	<u>\$ 1,383,997</u>

Individual reserve descriptions are as follows:

(a) Lindsay/Werry Educational Reserve

The Lindsay/Werry Educational Reserve was established to provide resources for continuing education needs.

Acclaim Health and Community Care Services

Notes to the Financial Statements

March 31, 2021

10. Internally restricted net assets (continued)

(b) Matthews Library Reserve

The Matthews Library Reserve was established to provide for the ongoing library resources for the Organization.

(c) Severance Contingencies Reserve

The Severance Contingencies Reserve was established to provide for severance contingencies.

(d) Pension Fund Reserve

The Pension Fund Reserve was established for pension fund solvency and wind up.

11. Government funding

The amounts received of \$4,586,929 (2020 - \$3,437,428) from the Mississauga Halton Local Health Integration Network (MH LHIN) provide funding for the ongoing operations of Alzheimer Services, Community Support Services, and the Palliative Care Consultation Program.

The amounts received of \$2,368,084 (2020 - \$Nil) from the Hamilton, Niagara, Haldimand and Brant Community Care Access Center (CCAC) and Mississauga Halton CCAC for temporary pandemic pay to provide additional support for eligible workers in the home and community care sector.

12. Pension costs and obligations

Effective October 16, 2006, the Organization created its own pension plan when it ceased membership with Victorian Order of Nurses Canada ("VONC"). Similar to the VONC Plan, the plan provides benefits to employees through participation in a contributory, defined benefit plan for all eligible employees. The pension benefits are based on years of pensionable service and final average earnings. The annual funding requirements are determined in consultation with the actuaries to provide long-term stability to the plan.

The plan mirrors the VONC Plan with the addition of a provision that obligates the Organization to make an employee "whole" in the event that pension benefits available to a retiring employee under the new plan are less than what he or she would have received under the VONC Plan.

Effective September 30, 2010, the defined benefit provision of the plan was closed to new members and the services and earnings were frozen for all current plan members as at that date. This event triggered a curtailment resulting in the reduction of the accrued benefit obligation and the recognition of the entire unamortized past service and unamortized actuarial losses. Accordingly, a net curtailment loss of \$486,700 was recognized.

An actuarial valuation for funding purposes must be conducted, at a minimum, every three years. The most recent valuation was completed as at December 31, 2018 by Aon Hewitt. On May 7, 2019, the Board of Directors resolved to wind up the defined benefit pension plan effective December 31, 2018 to settle the assets and liabilities of the Plan in accordance with

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March 31, 2021

12. Pension costs and obligations (continued)

the Plan and the provisions of the Pensions Benefit Act (Ontario) and the Income Tax Act (Canada).

A funding surplus of \$461,500 was determined under the assumption that the plan is a going concern which will be funded by continued employer contributions. Aon Hewitt also certified that as at the valuation date, there was a solvency deficit of \$979,900 in the plan.

The defined benefit pension plan assets and obligations were evaluated and measured by Aon Hewitt as at March 31, 2021.

The following table summarizes the changes in defined benefit plan obligation and fair value of plan assets of the Organization's defined benefit pension plan:

	<u>2021</u>	<u>2020</u>
Change in defined benefit plan obligation		
Benefit obligation, beginning of period	\$ 11,940,400	\$ 10,522,300
Interest cost	331,700	398,700
Past Service Costs	-	1,223,100
Settlement costs	133,500	-
Benefits paid	(2,509,400)	(597,300)
Actuarial loss	<u>(501,100)</u>	<u>393,600</u>
Defined benefit plan obligation, end of period	\$ <u>9,395,100</u>	\$ <u>11,940,400</u>
Change in fair value of plan assets		
Fair value of plan assets, beginning of period	\$ 12,112,500	\$ 12,163,900
Gains on plan assets	91,500	545,900
Benefits paid	<u>(2,509,400)</u>	<u>(597,300)</u>
Fair value of plan assets, end of period	\$ <u>9,694,600</u>	\$ <u>12,112,500</u>
Reconciliation of funded status		
Fair value of plan assets	\$ 9,694,600	\$ 12,112,500
Defined benefit plan obligation	<u>(9,395,100)</u>	<u>(11,940,400)</u>
Funded status of plan – surplus	299,500	172,100
Valuation allowance	<u>(299,500)</u>	<u>(172,100)</u>
Defined benefit pension asset	\$ <u>-</u>	\$ <u>-</u>
Remeasurements and other items		
Interest less net return on plan assets	\$ (91,500)	\$ (83,200)
Actuarial loss	(164,100)	393,600
Prior service cost	-	1,223,100
Change in valuation allowance	127,400	(1,469,500)
Loss arising from settlements	133,500	-
Effect of valuation allowance on finance cost	<u>(4,900)</u>	<u>(64,000)</u>
Total remeasurements and other items	\$ <u>-</u>	\$ <u>-</u>

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12. Pension costs and obligations (continued)

For the year ended March 31, 2021 the pension expense related to the defined benefit plan was \$45,945 (2020 - \$Nil).

Effective October 1, 2010, a defined contribution pension plan was put in place, in which all members now participate. For the year ended March 31, 2021, employer contributions were \$404,941 (2020 - \$424,578).

13. Commitments and contractual obligations

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

2022	\$ 731,057
2023	632,801
2024	583,627
2025	587,446
2026	589,759
Thereafter	<u>1,715,415</u>
	\$ <u>4,840,105</u>

The Organization has a contractual obligation relating to the renovation at 2250 Speers Road for the architectural updates and construction of the building. The remaining contractual obligation is estimated to be approximately \$4.2 million.

14. Financial instruments

The Organization has a risk management framework to monitor, evaluate and manage the principal risks assumed with its financial instruments. The risk that arise from financial instruments include credit, interest rate and liquidity risk. However, its is management's opinion that these do not represent significant risks to the Organization given the nature and creditworthiness of the parties from whom amounts are owing to the Organization and the nature of investments held.

Credit risk

The Organization has determined that the financial assets with credit risk exposure are amounts receivable, since failure of any of these parties to fulfil their obligations could result in financial losses for the Organization.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk with respect to investments in GICs and mortgage.

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March 31, 2021

14. Financial instruments (continued)

Liquidity risk

Liquidly risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of its contribution to the pension plan, accounts payable and mortgage payable. There was no significant change in exposure from the prior year.

15. General expenses	<u>2021</u>	<u>2020</u> (Unaudited)
Purchased services	\$ 880,817	\$ 1,123,812
Other general expenses	939,065	864,841
Telephone	391,994	315,692
Professional fees	449,512	703,120
Data processing and software	<u>297,384</u>	<u>239,833</u>
	<u>\$ 2,958,772</u>	<u>\$ 3,247,298</u>

16. Credit facilities

The Organization has two credit facilities. The first one relates to the original mortgage that was taken out for the new Dementia Care Centre at 2250 Speers Road, Oakville ON. In March of 2019, the original mortgage amount was \$1,725,000. As of March 31, 2021 this balance is \$1,587,000. Terms of the first credit facility are detailed in Note 8 Mortgage Payable. The second credit facility is a \$3,300,000 revolving loan intended to support the renovation and construction of the new Dementia Care Centre at 2250 Speers Road, Oakville ON. Interest accrues monthly at prime plus 0.50% per annum. Interest-only payments are required during the construction and/or renovation period of 12 months or earlier. As at March 31, 2021, \$Nil (2020 - \$Nil) was drawn from the second credit facility.

17. Comparative figures

Certain comparative figures have been reclassified to conform to the method of presentation adopted in the current year.

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March 31, 2021

18. COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long period 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. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization is considered an essential service as a health services organization and as such, continues to operate. 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 of these consequences as well as their impact on the financial position and results of the Organization, if any, for future periods. In the meantime, management continues to manage the budget and provide continuing levels of operations and service.