

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Financial Statements

Year Ended March 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Consolidated financial statements of Eden Care Communities Group of Companies have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. These statements include certain amounts based on management's estimates and judgments. Management has determined such amounts based on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

The integrity and reliability of Eden Care Communities Group of Companies 's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. These systems are designed to provide reasonable assurance that the financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee. The Committee is appointed by the Board and meets periodically with management and the members' auditors to review significant accounting, reporting and internal control matters. Following its review of the financial statements and discussions with the auditors, the Committee reports to the Board of Directors prior to its approval of the financial statements. The Committee also considers, for review by the Board and approval by the members, the engagement or re-appointment of the external auditors.

The Consolidated financial statements have been audited on behalf of the members by MWC Chartered Professional Accountants LLP, in accordance with Canadian generally accepted auditing standards.



Chief Executive Officer



Chair

Regina, SK
June 26, 2018



Chartered Professional
Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the Members of Eden Care Communities Group of Companies

We have audited the accompanying consolidated financial statements of Eden Care Communities Group of Companies, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

(continues)

An asset to our clients, not an expense

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Independent Auditor's Report to the Members of Eden Care Communities Group of Companies
(continued)

Basis for Qualified Opinion

In common with many charitable organizations, the organization is unable to economically implement controls that will offer assurance on the completeness of donations and fundraising and we are unable to satisfy ourselves on amounts reported using other procedures. 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 revenues, excess of revenues (expenses), current assets and net assets.

In addition these financial statements contain a departure from Canadian accounting standards for not-for-profit organizations (ASNFPO) as they include an accrual for accumulated sick benefits that do not vest as required by Canadian public sector accounting standards from government not-for-profit organizations, which is the standards The Regina Lutheran Housing Corporation is required to report under. ASNFPO do not require an accrual for this and as a result, on consolidation, total liabilities are overstated \$208,500 (2017 - \$206,100), net assets are under stated by \$208,500 (2017 - \$206,100) and excess of revenues (expenses) is \$2,400 overstated (2017 - \$700 (understated)) as a result of this departure from ASNFPO.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Eden Care Communities Group of Companies as at March 31, 2018 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 16 of the financial statements which pertains to significant subsequent events of the group.



Chartered Professional Accountants

Regina, Saskatchewan
June 26, 2018

EDEN CARE COMMUNITIES GROUP OF COMPANIES

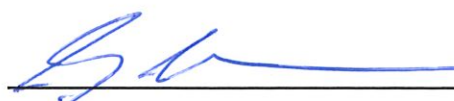
Consolidated Statement of Financial Position

March 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 872,436	\$ 945,182
Accounts receivable	184,315	94,724
Inventory	38,881	43,259
Goods and services tax recoverable	42,213	41,075
Prepaid expenses	123,044	126,756
	<u>1,260,889</u>	<u>1,250,996</u>
PROPERTY AND EQUIPMENT (Note 5)	40,398,445	41,452,081
GOODWILL (Note 4)	88,766	88,766
INVESTMENTS - RESERVE (Note 6)	2,828,432	3,152,015
	<u>\$ 44,576,532</u>	<u>\$ 45,943,858</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 553,213	\$ 721,085
Deposits received	60,180	64,768
Current portion of long term debt (Note 9)	532,754	511,428
Current portion of forgivable loan (Note 11)	675,000	675,000
Wages payable	790,025	817,743
Employee deductions payable	187,353	130,232
Deferred income (Note 7)	71,802	87,433
Accumulated sick benefits (Note 8)	208,500	206,100
	<u>3,078,827</u>	<u>3,213,789</u>
LONG TERM DEBT (Note 9)	15,807,346	16,344,735
LIFE LEASE DEPOSITS (Note 10)	11,774,189	11,161,371
FORGIVABLE LOANS FROM SHC (Note 11)	10,943,750	11,618,750
	<u>41,604,112</u>	<u>42,338,645</u>
NET ASSETS		
Unrestricted	143,988	453,197
Reserve (Note 12)	2,828,432	3,152,016
	<u>2,972,420</u>	<u>3,605,213</u>
	<u>\$ 44,576,532</u>	<u>\$ 45,943,858</u>

SUBSEQUENT EVENTS (Note 16) GUARANTEE (Note 14) LEASE COMMITMENTS (Note 13)

ON BEHALF OF THE BOARD

 Director

 Director

See accompanying notes

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Statement of Operations

Year Ended March 31, 2018

	2018	2017
REVENUES		
Rent and resident fees	\$ 7,519,891	\$ 7,246,330
Saskatchewan Health Authority (SHA) funding	5,066,297	4,879,522
Services and other fees	676,008	710,903
Forgivable loan funding from Saskatchewan Housing	675,000	675,000
Child care fees	148,572	156,029
Donations and fundraising	98,180	114,152
Investment income	49,313	155,158
CMHC mortgage subsidy	18,234	21,519
	<u>14,251,495</u>	<u>13,958,613</u>
EXPENSES		
Salaries and benefits	8,846,991	8,599,128
Amortization of property and equipment	1,575,880	1,519,475
Occupancy costs	1,230,075	1,162,389
Supplies	852,810	767,851
Repairs and maintenance	687,743	725,287
Interest on long term debt	647,915	672,655
Professional fees	532,773	583,648
General and administrative	445,819	465,520
Travel and education	64,282	135,943
	<u>14,884,288</u>	<u>14,631,896</u>
EXCESS OF REVENUES (EXPENSES)	<u>\$ (632,793)</u>	<u>\$ (673,283)</u>

See accompanying notes

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2018

	Unrestricted	Reserve (Note 12)	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 453,197	\$ 3,152,016	\$ 3,605,213	\$ 4,278,496
Excess of revenues (expenses)	(681,651)	48,858	(632,793)	(673,283)
Transfers (Note 12)	372,442	(372,442)	-	-
NET ASSETS - END OF YEAR	\$ 143,988	\$ 2,828,432	\$ 2,972,420	\$ 3,605,213

See accompanying notes

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues (expenses)	\$ (632,793)	\$ (673,283)
Items not affecting cash:		
Amortization of property and equipment	1,575,880	1,519,475
Forgivable loan funding from Saskatchewan Housing	(675,000)	(675,000)
	<u>268,087</u>	<u>171,192</u>
Changes in non-cash working capital:		
Accounts receivable	(89,591)	37,861
Inventory	4,378	(241)
Accounts payable	(167,873)	141,300
Deferred income	(15,631)	(13,661)
Prepaid expenses	3,712	19,226
Goods and services tax payable	(1,138)	45,522
Wages payable	(27,718)	9,064
Employee deductions payable	57,121	912
Deposits received	(4,588)	(6,024)
Accumulated sick benefits	2,400	(17,285)
	<u>(238,928)</u>	<u>216,674</u>
Cash flow from operating activities	<u>29,159</u>	<u>387,866</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(522,242)	(236,235)
Purchase of goodwill	-	(88,766)
Investments - reserve	323,583	(7,343)
Cash flow used by investing activities	<u>(198,659)</u>	<u>(332,344)</u>
FINANCING ACTIVITIES		
Life lease deposits	612,818	349,552
Repayment of long term debt	(516,064)	(495,407)
Cash flow from (used by) financing activities	<u>96,754</u>	<u>(145,855)</u>
DECREASE IN CASH FLOW	<u>(72,746)</u>	<u>(90,333)</u>
CASH - BEGINNING OF YEAR	<u>945,182</u>	<u>1,035,515</u>
CASH - END OF YEAR	<u>\$ 872,436</u>	<u>\$ 945,182</u>

See accompanying notes

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

1. PURPOSE OF THE ORGANIZATION

Eden Care Communities Management Inc. (the "Organization") is the designated parent corporation for the Eden Care Communities Group of Companies which include the following:

Eden Care Suites (formerly Eden Care Communities Inc.), Eden Care Health Inc., Regina Lutheran Housing Corporation, Eden Care Communities Foundation Inc., Milton Heights Inc., and Broadway Terrace Inc. In addition, the Group includes Eden Care Village Inc. which was not active in 2018.

The purpose of the Eden Care Group of Companies, under the management of Eden Care Communities Management Inc., is to provide facilities, care and services to the elderly and the community of Regina, Saskatchewan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPPO).

Reporting entity

The consolidated financial statements include the assets, liabilities, revenues and expenses of Eden Care Communities Management Inc. and its subsidiaries; Eden Care Suites Inc., The Regina Lutheran Housing Corporation, Broadway Terrace Inc., Milton Heights Inc., Eden Care Communities Foundation and Eden Care Health Inc. Eden Care Village Inc. was inactive in the year and held no assets or liabilities.

Fund accounting

A portion of the monies received by the company may only be used for specific purposes and accordingly are accounted for in separate funds. Temporary transfers of monies between these funds are recorded as interfund receivables/payables. Permanent transfers are recorded as transfers in the net asset accounts.

The Unrestricted Fund accounts for the day-to-day operations.

The Reserve fund includes the following:

- a) Operating reserve fund - internally restricted fund to support ventures and opportunities that meet the purpose of the organization.
- b) Capital replacement - externally restricted fund to provide for the future maintenance. The reserve is required under funding/financing agreements.
- c) Life lease tenant deposit - internally restricted to fund the expiry of life lease deposits in order to settle repayment. Under the current financing agreement a minimum amount of \$4,000 per unit must be maintained.

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EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Rent, fees and service revenues are recorded in the period the services are provided and collection is reasonably assured. Investment income is recognized in the period earned.

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund. Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets including cash and accounts receivable are reported at amortized cost. All investments are reported at fair market value.

Financial liabilities including accounts payable, accrued liabilities, long term debt, forgivable loan and life lease deposits are measured at amortized cost.

Property and equipment

Property and equipment is stated at cost or deemed cost less accumulated amortization. Property and equipment is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Land improvements	10 to 20 years	straight-line method
Building and building under construction	20 to 50 years	straight-line method
Equipment	5 to 15 years	straight-line method
Motor vehicles	7 years	straight-line method
Leasehold improvements	3 to 10 years	straight-line method

Property and equipment are regularly reviewed to eliminate obsolete items. In the year of acquisition one half years amortization is taken.

Goodwill

Goodwill, arising on the acquisition of a business, represents the excess of the cost of acquisition over the organization's interest in the net fair value of the identifiable assets and liabilities of the business recognized at the date of acquisition. Goodwill is initially recognized at cost and is subsequently measured at cost less any impairment losses. Goodwill is tested for impairment annually or more frequently, if events and circumstances indicate that there may be impairment.

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EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates. Significant estimates include variables used by the actuary in determining the future and current sick pay utilization and the discount rate.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Employee future benefits

The employees of the Organization participate in several multi-employer pension plans. The Organization's obligation is limited to making the required employer contributions and not for managing the plans themselves, accordingly, the contributions are expensed in the year.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Forgivable loan

The Organization has entered into a forgivable loan agreement with Saskatchewan Housing Corporation (SHC). The loan is non-interest bearing and was advanced to cover a portion of the costs of capital asset construction. A condition of the advances is that the housing unit must be substantially used to provide long-term accommodation to qualifying persons and families over a specified term (amortization period of the loan). If these conditions are not met, the unamortized portion must be repaid. The forgiven portion annually is taken into income over the amortization period outlined in the contract, which is a reasonable approximation of the life of the underlying asset.

3. ECONOMIC DEPENDENCE - REGINA LUTHERAN HOUSING CORPORATION

The Regina Lutheran Housing Corporation (RLH) is an affiliate of the Saskatchewan Health Authority (SHA) but it maintains independence to determine strategic operating, investing, and financing activities. RLH is dependant on the on-going funding from SHA for continued operations.

4. GOODWILL

Goodwill was determined on the allocation of the purchase price of a business operation that was acquired in 2017 by Eden Care Health Inc. There has been no write down of goodwill as there was no known or anticipated impairment in value and it is recorded at cost.

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Land	\$ 3,386,626	\$ -	\$ 3,386,626	\$ 3,386,626
Land improvements	74,200	57,305	16,895	19,042
Buildings	50,244,156	14,615,131	35,629,025	36,805,926
Equipment	2,011,638	1,425,136	586,502	623,338
Motor vehicles	86,086	86,086	-	-
Leasehold improvements	1,086,505	307,108	779,397	617,149
Paving	370,768	370,768	-	-
	<u>\$ 57,259,979</u>	<u>\$ 16,861,534</u>	<u>\$ 40,398,445</u>	<u>\$ 41,452,081</u>

6. INVESTMENTS - RESERVE

	2018	2017
Cash	\$ 319,516	\$ 304,988
Fixed income bonds	694,556	684,289
Common shares and mutual funds	1,701,168	1,997,110
Foreign securities and other	113,192	165,628
	<u>\$ 2,828,432</u>	<u>\$ 3,152,015</u>

Fixed income bonds mature between July 2018 and December 2021 and earn interest between 2.05% and 2.50%.

7. DEFERRED INCOME

	2018	2017
Rent and resident fees	\$ 62,782	\$ 76,505
Residents funds held in trust	3,060	4,583
Service and other fees	5,960	6,345
	<u>\$ 71,802</u>	<u>\$ 87,433</u>

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

8. ACCUMULATED SICK LEAVE BENEFIT LIABILITY

The cost of the accrued benefit obligation to sick leave entitlement earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of inflation, discount rate, employee demographics and sick leave usage of the active employees. The Region has completed an actuarial valuation on behalf of the Corporation as of March 31, 2017

	<u>2018</u>	<u>2017</u>
Accrued benefit obligation, beginning of year	\$ 206,100	\$ 206,800
Benefit period expense	38,500	37,900
Benefit payments	<u>(36,100)</u>	<u>(38,600)</u>
Accrued benefits obligation, end of year	<u>\$ 208,500</u>	<u>\$ 206,100</u>

The obligation associated with the accumulated sick leave benefits is unfunded. The discount rate being used is 2.40% (2017 - 2.40%).

9. LONG TERM DEBT

Addenda Capital loan bearing interest at 3.6% per annum, repayable in monthly blended payments of \$60,548. The loan is renewable on December 1, 2020 and is secured as noted below. The carrying value of the secured assets are \$14,988,227 (2017 - \$15,547,630).

	<u>2018</u>	<u>2017</u>
	\$ 11,303,414	\$ 11,619,921

RBC loan bearing interest at 3.99% per annum, repayable in monthly blended payments of \$26,792. The loan matures on August 1, 2037 and is secured by property and equipment which has a carrying value of \$18,639,041 (2017 - \$19,290,881) and first charge on the property over any other encumbrances.

4,351,730	4,497,869
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C.M.H.C. loan bearing interest at 10% per annum, repayable in monthly blended payments of \$6,615 plus a subsidy of \$1,519. The loan matures on September 1, 2028 and is secured by property and equipment with a carrying value of \$2,524,078.

640,260	673,365
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C.M.H.C. loan bearing interest at 0.98% per annum, repayable in monthly blended payments of \$1,862. The loan matures on May 1, 2020 and is secured by property and equipment with a carrying value of \$2,524,078.

<u>44,696</u>	<u>65,008</u>
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16,340,100	16,856,163
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Amounts payable within one year

<u>(532,754)</u>	<u>(511,428)</u>
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<u>\$ 15,807,346</u>	<u>\$ 16,344,735</u>
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EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

9. LONG TERM DEBT (continued)

Principal repayment terms are approximately:

2019	\$	532,754
2020		554,670
2021		555,685
2022		579,120
2023		604,230

The Addenda Capital loan is secured by a conventional first mortgage on the Broadway Terrace Inc. property, a general security agreement, general assignment of rents and leases and guarantees from Milton Heights Inc. and Eden Care Suites Inc.

Included in yearend trade payables is accrued interest of \$49,312 (2017 - \$52,074).

10. LIFE LEASE TENANT DEPOSITS

The Organization leases living accommodations to tenants on a life lease basis whereby tenants put on deposit with the Organization an amount approximating the cost of the accommodation to the Organization. The life leases expire upon death of the tenants or of termination of the lease. On expiry of the life lease, the amount on deposit is returned to the tenant or their estate, without interest, and right of residency reverts back to the Organization.

11. FORGIVABLE LOAN FROM SHC

	2018	2017
Loan payable to Saskatchewan Housing Corporation, forgivable in 120 monthly installments of \$56,250, followed by 77 monthly installments of \$112,500 and one final installment of \$87,50	<u>\$ 11,618,750</u>	<u>\$ 12,293,750</u>
	11,618,750	12,293,750
Less: Current portion of forgivable loan	<u>(675,000)</u>	<u>(675,000)</u>
	<u>\$ 10,943,750</u>	<u>\$ 11,618,750</u>

Milton Heights Inc. has entered into an agreement with Saskatchewan Housing Corporation and the Ministry of Social Services to convert the building into a low-income rental housing complex. The terms of the agreement include a full scale refurbishment of the existing building to be financed by Saskatchewan Housing in the form of a forgivable loan in exchange for a commitment to operate the building as a low-income rental housing complex for a pre-determined period of time. Forgiveness of the loan commenced on July 1, 2012, the total amount of the loan forgiven in the year was \$675,000 (2017 - \$675,000).

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

12. RESERVES AND INTERNAL TRANSFERS

	Milton's capital replacement	Broadway's operating reserve	Broadway's capital replacement	Broadway's life lease tenant deposit	2018
Balance , beginning of year	\$ 218,748	\$ 1,408,231	\$ 934,395	\$ 590,642	\$ 3,152,016
Transfer of funds to reserve	57,611	-	169,150	-	226,761
Transfer of funds out of reserve	-	(450,128)	(149,075)	-	(599,203)
Earnings on reserve	488	27,291	16,705	4,374	48,858
Balance, end of year	\$ 276,847	\$ 985,394	\$ 971,175	\$ 595,016	\$ 2,828,432

13. COMMITMENTS

The Organization has lease commitments related to office premises and equipment. In addition the Organization has entered into an agreement for IT services for all companies. The commitments for each of the subsequent fiscal years is as follows

	Premises	IT Service Contract	Equipment	Total
2019	\$ 84,929	\$ 206,460	\$ 15,847	\$ 307,236
2020	84,929	206,460	8,788	300,177
2021	84,929	229,966	8,788	323,683
2022	91,462	229,966	-	321,428
2023	91,462	-	-	91,462

The terms of the IT service contract includes a termination clause that can be executed no earlier than two contract years starting from January 1, 2017. If executed the above noted payments for 2019 to 2022 would be reduced to \$30,778 for 2019, \$23,959 for 2020, \$14,407 for 2021 and \$2,918 for 2022. In addition, on termination, the Organization is responsible for paying wind-down expenses and any stranded costs as defined in the agreement.

14. GUARANTEES

Eden Care Suites Inc., together with Milton Heights Inc. has guaranteed the mortgage of Broadway Terrace Inc. totaling \$11,303,414 (2017 - \$11,616,921) at yearend. Under the terms of the agreement the organization agrees to satisfy all the terms, conditions, and requirements of the mortgage should the related party default. The mortgage is secured by a conventional first mortgage charge on the Broadway Terrace property and a general security agreement.

Eden Care Suites has also guaranteed the forgivable loan from Saskatchewan Housing Corporation to Milton Heights Inc. in the amount of \$11,618,750 (2017 - \$12,293,750) at yearend.

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

15. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments and management is responsible to monitor, evaluate and manage these risks. The following analysis provides information about the organization's risk exposure and concentration as of March 31, 2018.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation is exposed to credit risk from residents. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts. The Corporation has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of the Organization not being able to liquidate assets in a timely manner at a reasonable price.

The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is exposed to foreign currency exchange risk on cash, accounts receivable, investments and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk. Below are the significant items held in U.S. dollars.

	<u>2018</u>	<u>2017</u>
Broadway Terrace investments stated in USD	\$ 396,862	\$ 556,480

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities.

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2018

16. SUBSEQUENT EVENTS

Expansion RLH/Eden Care Village Inc.

The reorganization continued the development and construction of an integrated, intergenerational housing and care complex at an estimated build cost of \$102 million for phase 1 and \$119 million for phase 2. The Eden Group is continuing to work with the Saskatchewan Health Authority (SHA) and the Ministry of Social Services to determine the funding and operational agreements of the project.

As part of the expansion the existing nursing home facility (Regina Lutheran Home) may be demolished but until such time, the current financing and operations of the Corporation will continue per the existing agreement. It is anticipated the facility will continue to be pledged as security on any new financing.

As at yearend, there are no commitments related to the construction of the project and the development will ultimately reside in Eden Village Inc.

Expansion of Eden Care Health Inc. Services

An agreement was made with the Ministry of Social Services (MSS) to manage and operate three adult assisted living homes commencing April 1, 2018. MSS has committed to funding the program for one year and Eden Care Health Inc. has committed to leasing three properties for the program with lease commitments totaling \$18,000 per month for a five year term expiring April 2023.

The Corporation has plans to expand their childcare operation, which includes additional spaces to be located at a property owned by the Corporation's parent company. The expansion is expected to cost approximately \$168,000 for leaseholds. Operational and capital funding for the program has been confirmed from the Ministry of Education

17. CORRESPONDING FIGURES

Some of the corresponding figures have been reclassified to conform to the current year's presentation. There was no impact on previously reported total assets, liabilities, net assets, revenues or expenses as a result of the reclassification.

