

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Financial Statements

Year Ended March 31, 2019

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 25, 2019



Chartered Professional
Accountants LLP

INDEPENDENT AUDITOR'S REPORT

To the **Members of Eden Care Communities Group of Companies**

Qualified Opinion

We have audited the consolidated financial statements of Eden Care Communities Group of Companies (the Organization), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization is unable to economically implement controls that will offer assurance on the completeness of donations 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 donations and fundraising, excess of revenues (expenses) and cash flows from operations for the years ended March 31, 2019 and 2018, current assets and net assets as at March 31, 2019 and 2018. Our audit opinion on the consolidated financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

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 Consolidated 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 consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 \$211,700 (2018 - \$208,500), net assets are understated by \$211,700 (2018 - \$208,500) and excess of revenues(expenses) is \$3,200 overstated (2018 - \$2,400 (overstated)) as a result of this departure from ASNFPO.

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.

An asset to our clients, not an expense

102 - 4701 Parliament Ave, Regina, SK S4W 0T9 ☎ 306-352-8621 🌐 306-565-8476 🌐 mwc-cpa.ca

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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

Regina, Saskatchewan
June 25, 2019

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Statement of Financial Position

March 31, 2019

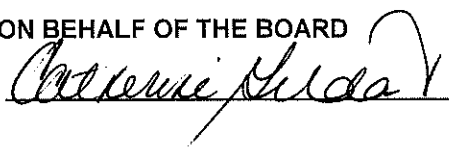
	2019	2018
ASSETS		
CURRENT		
Cash	\$ 791,728	\$ 872,436
Accounts receivable	223,562	184,315
Inventory	24,680	38,881
Goods and services tax recoverable	57,977	42,213
Prepaid expenses	123,555	123,044
Developmental costs	-	21,429
	<u>1,221,502</u>	<u>1,282,318</u>
CAPITAL ASSETS (Note 5)	39,897,900	40,377,016
GOODWILL (Note 4)	88,766	88,766
INVESTMENTS - RESERVE (Note 6)	1,858,824	2,828,432
	<u>\$ 43,066,992</u>	<u>\$ 44,576,532</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 1,106,223	\$ 553,213
Deposits received	54,115	60,180
Current portion of long term debt (Note 9)	553,356	532,754
Current portion of forgivable loan (Note 11)	675,000	675,000
Wages payable	974,262	790,025
Employee deductions payable	246,885	187,353
Deferred income (Note 7)	93,344	71,802
Accumulated sick benefits (Note 8)	211,700	208,500
	<u>3,914,885</u>	<u>3,078,827</u>
LONG TERM DEBT (Note 9)	15,249,701	15,807,346
LIFE LEASE DEPOSITS (Note 10)	11,159,322	11,774,189
FORGIVABLE LOANS FROM SHC (Note 11)	10,268,750	10,943,750
	<u>40,592,658</u>	<u>41,604,112</u>
NET ASSETS		
Unrestricted	614,422	143,988
Reserve (Note 12)	1,859,912	2,828,432
	<u>2,474,334</u>	<u>2,972,420</u>
	<u>\$ 43,066,992</u>	<u>\$ 44,576,532</u>

SUBSEQUENT EVENTS (Note 16)

GUARANTEE (Note 14)

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, 2019

	2019	2018
REVENUES		
Rent and resident fees	\$ 8,004,418	\$ 7,643,056
Provincial government funding	6,801,102	4,858,908
Programming fees	1,061,847	708,067
Forgivable loan funding from Saskatchewan Housing	675,000	675,000
Donations and fundraising	119,856	98,181
Investment income	72,526	49,312
	<u>16,734,749</u>	<u>14,032,524</u>
EXPENSES		
Salaries and benefits	10,873,510	8,846,991
Occupancy costs	1,595,668	1,230,075
Supplies	1,071,557	852,810
Repairs and maintenance	794,158	687,743
Professional fees	622,954	532,439
General and administrative	590,962	446,153
Travel and education	157,072	64,282
	<u>15,705,881</u>	<u>12,660,493</u>
EXCESS OF REVENUES BEFORE CAPITAL ACTIVITY	<u>1,028,868</u>	<u>1,372,031</u>
CAPITAL ACTIVITY		
Provincial government capital funding	780,530	218,971
Amortization of property and equipment	(1,677,979)	(1,575,880)
Interest on long term debt	(629,505)	(647,915)
	<u>(1,526,954)</u>	<u>(2,004,824)</u>
EXCESS OF REVENUES (EXPENSES)	<u>\$ (498,086)</u>	<u>\$ (632,793)</u>

See accompanying notes

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2019

	Unrestricted	Reserve (Note 12)	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 143,988	\$ 2,828,432	\$ 2,972,420	\$ 3,605,213
Excess of revenues (expenses)	(1,334,878)	836,792	(498,086)	(632,793)
Transfers	1,805,312	(1,805,312)	-	-
NET ASSETS - END OF YEAR	\$ 614,422	\$ 1,859,912	\$ 2,474,334	\$ 2,972,420

See accompanying notes

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Consolidated Statement of Cash Flows

Year Ended March 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Deficiency of revenues over expenses	\$ (498,086)	\$ (632,793)
Items not affecting cash:		
Amortization of property and equipment	1,677,979	1,575,880
Forgivable loan funding from Saskatchewan Housing	(675,000)	(675,000)
	<u>504,893</u>	<u>268,087</u>
Changes in non-cash working capital:		
Accounts receivable	(39,247)	(89,591)
Inventory	14,201	4,378
Accounts payable	553,009	(167,873)
Deferred income	21,542	(15,631)
Prepaid expenses	(511)	3,712
Goods and services tax payable	(15,764)	(1,138)
Developmental costs	21,429	(21,429)
Wages payable	184,237	(27,718)
Employee deductions payable	59,532	57,121
Deposits received	(6,065)	(4,588)
Accumulated sick benefits	3,200	2,400
	<u>795,563</u>	<u>(260,357)</u>
Cash flow from operating activities	<u>1,300,456</u>	<u>7,730</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,198,863)	(500,813)
Investments - reserve	969,608	323,583
Cash flow used by investing activities	<u>(229,255)</u>	<u>(177,230)</u>
FINANCING ACTIVITIES		
Life lease deposits	(614,867)	612,818
Repayment of long term debt	(537,042)	(516,064)
Cash flow from (used by) financing activities	<u>(1,151,909)</u>	<u>96,754</u>
DECREASE IN CASH FLOW	<u>(80,708)</u>	<u>(72,746)</u>
CASH - BEGINNING OF YEAR	<u>872,436</u>	<u>945,182</u>
CASH - END OF YEAR	<u>\$ 791,728</u>	<u>\$ 872,436</u>

See accompanying notes

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

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 Inc., Eden Care Health Inc., Regina Lutheran Housing Corporation, Eden Care Communities Foundation Inc., Milton Heights Inc., Broadway Terrace Inc., and Eden Care Village Inc.

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 (ASNFPO).

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

The Eden Care Group of Companies follows the restricted fund method for accounting for contributions.

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 and transfers from the fund require prior approval from the lending institution.

(continues)

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

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.

(continues)

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

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, 2019

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 3,386,626	\$ -	\$ 3,386,626	\$ 3,386,626
Land improvements	74,200	59,453	14,747	16,895
Buildings	50,691,813	15,899,175	34,792,638	35,607,596
Equipment	2,239,832	1,570,063	669,769	586,502
Motor vehicles	138,541	91,332	47,209	-
Leasehold improvements	1,535,633	548,722	986,911	779,397
Paving	370,768	370,768	-	-
	<u>\$ 58,437,413</u>	<u>\$ 18,539,513</u>	<u>\$ 39,897,900</u>	<u>\$ 40,377,016</u>

Total assets not in use at yearend and therefore no yet amortized is \$2,616,290 and is included in buildings.

6. INVESTMENTS - RESERVE

	2019	2018
Cash	\$ 362,646	\$ 319,516
Fixed income bonds	705,161	694,556
Common shares and mutual funds	745,652	1,701,168
Foreign securities and other	45,365	113,192
	<u>\$ 1,858,824</u>	<u>\$ 2,828,432</u>

Fixed income bonds mature between December 2019 and December 2022 and earn interest between 2.10% and 3.31%.

7. DEFERRED INCOME

	2019	2018
Rent and resident fees	\$ 86,432	\$ 62,782
Residents funds held in trust	2,348	3,060
Service and other fees	4,564	5,960
	<u>\$ 93,344</u>	<u>\$ 71,802</u>

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

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>2019</u>	<u>2018</u>
Accrued benefit obligation, beginning of year	\$ 208,500	\$ 206,100
Benefit period expense	38,000	38,500
Benefit payments	<u>(34,800)</u>	<u>(36,100)</u>
Accrued benefits obligation, end of year	<u>\$ 211,700</u>	<u>\$ 208,500</u>

The obligation associated with the accumulated sick leave benefits is unfunded. The discount rate being used is 2.80% (2018 - 2.50%).

9. LONG TERM DEBT

	<u>2019</u>	<u>2018</u>
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 \$14,428,824 (2018 - \$14,988,227).	\$ 10,975,410	\$ 11,303,414
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 \$17,988,018 (2018 - \$18,639,041) and first charge on the property over any other encumbrances.	4,199,701	4,351,730
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 \$2,246,654 (2018 - \$2,524,078).	603,762	640,260
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 \$2,246,654 (2018 - \$2,524,078).	<u>24,184</u>	<u>44,696</u>
	15,803,057	16,340,100
Amounts payable within one year	<u>(553,356)</u>	<u>(532,754)</u>
	<u>\$ 15,249,701</u>	<u>\$ 15,807,346</u>

(continues)

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

9. LONG TERM DEBT (continued)

Principal repayment terms are approximately:

2020	\$	553,356
2021		558,900
2022		579,353
2023		604,482
2024		630,899

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 \$48,335 (2018 - \$49,312).

Subsequent to the year end the mortgage was refinanced with Addenda Capital which included a payout of the existing mortgage and a new advance of \$12,000,000 with an interest rate of 3.86% and monthly principal and interest payments of \$62,215. Eden Care Suites Inc. was removed as a guarantor under the new loan and Eden Care Communities Management Inc. was added. As the long-term debt was replaced the current debt has not been reclassified to current liabilities.

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

	<u>2019</u>	<u>2018</u>
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>\$ 10,943,750</u>	<u>\$ 11,618,750</u>
	10,943,750	11,618,750
Less: Current portion of forgivable loan	<u>(675,000)</u>	<u>(675,000)</u>
	<u>\$ 10,268,750</u>	<u>\$ 10,943,750</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, 2019

12. RESERVES AND TRANSFERS

	Beginning of Year	Excess revenue (expense) for the year	Transfers	End of Year
Broadway Terrace - capital	\$ 971,175	\$ 6,339	\$ 35,372	\$ 1,012,886
Broadway Terrace - life lease	595,016	20,307	(476,000)	139,323
Broadway Terrace - operating	985,394	45,070	(660,000)	370,464
Eden Health - capital	-	572,465	(572,465)	-
Milton Heights - capital	276,847	2,780	57,612	337,239
Regina Lutheran Home - capital	-	189,831	(189,831)	-
	<u>\$ 2,828,432</u>	<u>\$ 836,792</u>	<u>\$ (1,805,312)</u>	<u>\$ 1,859,912</u>

The Organization transferred amounts from the Broadway Terrace - life lease reserve without approval from the lender due to a miscommunication. The lender was subsequently contacted and the Organization re-deposited the funds after the yearend. The lender was satisfied and no action was taken in regards to non-compliance with the lending agreement and therefore the loan has not been reclassified to current.

13. COMMITMENTS

The Organization has lease commitments related to office premises and group home leases 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
2020	\$ 370,462	\$ 206,460	\$ 8,788	\$ 585,710
2021	384,929	229,966	8,788	623,683
2022	391,462	229,966	-	621,428
2023	391,462	-	-	391,462
2024	193,462	-	-	193,462

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.

As at March 31, 2019, the Corporation has entered into an agreement for the construction related to the purchase of the group homes. The total cost of the project is expected to be \$938,946 and as of yearend approximately \$265,000 of construction has been completed.

The Corporation has also entered into a service agreement with the Ministry of Social Services to provide management services of group homes located in Moose Jaw.

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

14. GUARANTEES

Subsequent to the yearend Broadway Terrace Inc. refinanced its long-term debt and the Corporation was added as a guarantor. 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.

Subsequent to the year end Eden Care Health Inc. completed offers to purchase a personal care home and residential service facility located in Saskatoon, Saskatchewan. The purchase price is approximately \$4.2 million and the transaction is expected to close in June 2019. These properties will be financed with new mortgages totaling \$3.2 million which the Corporation has guaranteed. Under the terms of the agreement the Corporation 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 properties purchased by Eden Care Health Inc. and a general security agreement for all present and acquired assets in the name of Eden Care Management Inc.

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, 2019.

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.

(continues)

EDEN CARE COMMUNITIES GROUP OF COMPANIES

Notes to Consolidated Financial Statements

Year Ended March 31, 2019

15. FINANCIAL INSTRUMENTS (continued)

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>2019</u>	<u>2018</u>
Broadway Terrace investments stated in USD	\$ 177,488	\$ 398,773

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.

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 in Eden Care Health Inc.

Subsequent to the year end the Corporation continued its expansion with the acquisition of two group homes at an estimated cost of \$4.28 million with the acquisition expected to close in June 2019. The acquisition will be partially financed with new mortgages approximating \$3.2 million which will be guaranteed by related parties including Eden Care Communities Management Inc. and Broadway Terrace Inc.

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.

