# SAINT VINCENT'S NURSING HOME

## FINANCIAL STATEMENTS

## MARCH 31, 2023

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# SAINT VINCENT'S NURSING HOME
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# MARCH 31, 2023


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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
**Saint Vincent's Nursing Home**

*Opinion*

We have audited the financial statements of **Saint Vincent's Nursing Home** ("the Home"), which comprise the statement of financial position as at March 31, 2023 and the statements of operations and 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 the Home as at March 31, 2023, and 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 Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Home in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the 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 Home'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 Home or to cease operations, or has no realistic alternative but to do so.

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

*Auditors' 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 auditors' 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 Home'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 Home's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Home 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.

Baker Tilly Nova Scotia Inc

Dartmouth, Nova Scotia
June 29, 2023

**Chartered Professional Accountants**

# SAINT VINCENT'S NURSING HOME
## STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
## GENERAL AND CAPITAL FUNDS
## FOR THE YEAR ENDED MARCH 31, 2023

| | Capital Fund | General Fund | **2023** | 2022 |
|---|---|---|---|---|
| | $ | $ | **$** | $ |
| **REVENUES** | | | | |
| Department of Seniors and Long-Term Care | 55,268 | 11,694,420 | **11,749,688** | 10,127,287 |
| Residents' income | - | 3,520,358 | **3,520,358** | 3,237,903 |
| Donations from Saint Vincent's Nursing Home Foundation (Note 13) | - | 64,450 | **64,450** | 32,539 |
| Amortization of deferred capital grants (Note 9) | 626,434 | - | **626,434** | 503,416 |
| Other (Note 12) | - | 776,662 | **776,662** | 913,613 |
| | 681,702 | 16,055,890 | **16,737,592** | 14,814,758 |
| **EXPENSES** | | | | |
| Administration | - | 2,077,000 | **2,077,000** | 1,911,102 |
| Direct care | - | 9,049,907 | **9,049,907** | 7,445,673 |
| Quality and planning | - | - | **-** | 6,488 |
| Program support | | | | |
| Physiotherapy | - | 333,449 | **333,449** | 279,132 |
| Recreation | - | 345,671 | **345,671** | 267,469 |
| Social services | - | 71,386 | **71,386** | 77,552 |
| Pastoral care | - | 93,008 | **93,008** | 91,705 |
| Hairdressing (recovery) | - | (2,058) | **(2,058)** | (259) |
| Dental | - | 4,100 | **4,100** | 2,274 |
| Dietary | - | 2,000,193 | **2,000,193** | 1,801,452 |
| Housekeeping | - | 1,076,060 | **1,076,060** | 1,054,592 |
| Building operations and maintenance | 14,385 | 813,868 | **828,253** | 769,738 |
| Amortization | 607,285 | - | **607,285** | 546,168 |
| Interest on long-term debt | 55,554 | - | **55,554** | 72,279 |
| | 677,224 | 15,862,584 | **16,539,808** | 14,325,365 |
| **EXCESS OF REVENUES OVER EXPENSES** | 4,478 | 193,306 | **197,784** | 489,393 |
| FUND BALANCES - beginning of year | 4,054,910 | (149,104) | **3,905,806** | 3,416,413 |
| FUND BALANCES - end of year | 4,059,388 | 44,202 | **4,103,590** | 3,905,806 |

SAINT VINCENT'S NURSING HOME



STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023

| | 2023 | 2022 |
|---|---|---|
| | $ | $ |
| **ASSETS** | | |
| CURRENT | | |
| Cash | 2,972,475 | 1,566,624 |
| Accounts receivable (Note 3) | 347,361 | 535,535 |
| Inventory | 25,290 | 22,581 |
| Prepaids | 61,884 | 40,054 |
| | 3,407,010 | 2,164,794 |
| DUE FROM FOUNDATION (Note 6) | - | 70,136 |
| CAPITAL ASSETS (Note 4) | 10,479,426 | 10,520,096 |
| | 13,886,436 | 12,755,026 |
| ASSETS HELD IN TRUST | 8,744 | 13,076 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Note 5) | 2,292,029 | 1,709,529 |
| Due to Foundation (Note 6) | 2,147 | - |
| Demand loans (Note 7) | 651,684 | 1,247,068 |
| Current portion of notes payable | 80,396 | 80,396 |
| Current portion of obligation under capital lease | 1,580 | 6,208 |
| | 3,027,836 | 3,043,201 |
| NOTES PAYABLE (Note 8) | 212,977 | 293,373 |
| DEFERRED CAPITAL GRANTS (Note 9) | 6,542,033 | 5,511,066 |
| OBLIGATION UNDER CAPITAL LEASE (Note 10) | - | 1,580 |
| | 9,782,846 | 8,849,220 |
| **FUND BALANCES** | | |
| CAPITAL FUND | | |
| Restricted | 6,542,033 | 5,511,066 |
| Unrestricted | ( 2,482,645) | ( 1,456,156) |
| | 4,059,388 | 4,054,910 |
| GENERAL FUND | 44,202 | ( 149,104) |
| | 4,103,590 | 3,905,806 |
| | 13,886,436 | 12,755,026 |
| RESIDENTS' TRUST ACCOUNTS | 8,744 | 13,076 |

SIGNIFICANT EVENT (Note 11)

Approved by the Board

_____________ Director _____________ Director

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# SAINT VINCENT'S NURSING HOME
## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED MARCH 31, 2023

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| **CASH PROVIDED BY (USED FOR):** | | |
| **OPERATING** | | |
| Excess of revenues over expenses | **197,784** | 489,393 |
| Items not affecting cash: | | |
| Amortization of deferred capital grants | **( 626,434)** | ( 503,416) |
| Amortization of capital assets | **607,285** | 546,168 |
| | **178,635** | 532,145 |
| Changes in non-cash working capital items | | |
| Accounts receivable | **188,174** | ( 20,699) |
| Inventory | **( 2,709)** | ( 1,091) |
| Prepaids | **( 21,830)** | 16,914 |
| Accounts payable and accrued liabilities | **582,500** | ( 84,099) |
| | **924,770** | 443,170 |
| **FINANCING** | | |
| Transactions with Saint Vincent's Nursing Home Foundation | **72,283** | ( 47,647) |
| Payments on demand loans | **( 595,384)** | ( 610,174) |
| Deferred capital grants | **1,657,401** | 1,247,821 |
| Payments on notes payable | **( 80,396)** | ( 76,711) |
| Payments on obligation under capital lease | **( 6,208)** | ( 6,025) |
| | **1,047,696** | 507,264 |
| **INVESTING** | | |
| Acquisition of capital assets | **( 566,615)** | ( 1,079,662) |
| **CHANGE IN CASH** | **1,405,851** | ( 129,228) |
| **CASH - beginning of year** | **1,566,624** | 1,695,852 |
| **CASH - end of year** | **2,972,475** | 1,566,624 |

## 1. PURPOSE OF THE ORGANIZATION

Saint Vincent's Nursing Home ("the Home") is a licensed, privately operated nursing home governed by a volunteer board of directors. The Home is incorporated under the Societies Act of Nova Scotia with premises at 2080 Windsor Street, Halifax, Nova Scotia and is exempt under the Income Tax Act as a not-for-profit organization. Care is offered to residents requiring nursing care.

## 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies:

Fund accounting

The Capital Fund is used for capital assets and related financing.

The General Fund accounts for the Home's program delivery and administrative services.

Cash

Cash consists of cash on hand and a bank balance held with a financial institution.

Revenue recognition

The Home follows the deferral method of accounting for contributions.

Restricted contributions for expenses of future periods are deferred and recognized as revenue in the same period as the related expenses.

Unrestricted contributions are recognized as revenue of the General Fund when received or receivable.

Capital contributions are deferred and recognized in excess of revenues over expenses over the life of the underlying asset.

Revenue for personal care and nursing fees is recorded in the period when the service is provided. Other revenue is recorded as revenue when due, amount is fixed and determinable and collection is reasonably assured.

Inventory

Inventory, consisting of food and supplies, is carried at the lower of cost and net realizable value and is recorded on a first-in first-out basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

The building and original contents were recorded at cost values when those assets were assumed by the Home for use. Additions and other capital assets are recorded at cost. Amortization is recorded using the following rates and method:

| | | |
|---|---|---|
| Building | 2.5% - 5% | Straight line |
| Computer | 20% | Straight line |
| Equipment | 10% | Straight line |
| Equipment under capital lease | Term of lease | Straight line |
| Furnishings | 10% | Straight line |
| Land improvements | 10% | Straight line |
| Vehicles | 30% | Declining balance |

Capital projects in progress are not amortized until available for use.

One half year's amortization is taken in the year of acquisition.

Impairment of long-lived assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. An impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

Assets held in trust

Assets held in trust consist of deposits held on behalf of residents, which are used for discretionary spending and settlement of outstanding expenses at the time of discharge. Upon discharge, funds are either repaid to the resident or paid to their estate.

Defined benefit plan

Payments to defined benefit retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contribution.

Deferred capital grants

Deferred capital grants are amortized over the life of the underlying assets to which the respective contributions relate.

Contributed goods and services

The fair value of any donated goods and services is recorded when the amount can be reasonably estimated. When the amount cannot be estimated, the nature of significant donated goods and services is disclosed in the notes to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Certain derivative financial instruments held by the Home are eligible for hedge accounting. To be eligible for hedge accounting, an instrument should meet generally accepted criteria with respect to identification, designation, documentation and effectiveness of the hedging relationship. The fair value of instruments eligible for hedge accounting is not recognized on the statement of financial position. Gains or losses on those instruments are recognized in excess of revenues over expenses in the same period as those on the hedging item. When the hedging instrument is sold, terminated or ceases to be effective prior to maturity, any gains or losses that had been previously deferred are carried forward to be recognized in excess of revenues over expenses in the same period as those on the hedged item. When the hedge item is sold, extinguished or matures prior to the termination of the related hedging instrument, any gains or losses previously deferred are recognized in excess of revenues over expenses of the current period.

Financial instruments

*Measurement of financial instruments*

The Home initially measures its financial assets and financial liabilities at fair value, except related party transactions which are recorded at the exchange amount established and agreed upon by the related parties.

The Home subsequently measures all its financial assets and financial liabilities at amortized cost, except related party transactions which are measured at their carrying value.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, demand loans, notes payable and obligation under capital lease.

*Impairment*

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write down is recognized in excess of revenues over expenses. Any previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of a reversal is recognized in excess of revenues over expenses.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items and matters such as allowance for doubtful accounts, useful lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

## 3. ACCOUNTS RECEIVABLE

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Receivable from residents | **167,965** | 91,162 |
| Receivable from Department of Health and Wellness | **25,315** | 234,183 |
| Employee advances | **-** | 3,546 |
| HST recoverable | **131,365** | 109,189 |
| Due from Residents' Trust | **22,716** | 97,455 |
| Allowance for doubtful accounts | **-** | - |
| | **347,361** | 535,535 |

## 4. CAPITAL ASSETS

| | Cost | Accumulated Amortization | **Net 2023** | Net 2022 |
|---|---|---|---|---|
| | $ | $ | **$** | $ |
| Land | 3,349,500 | - | **3,349,500** | 3,349,500 |
| Land improvements | 24,395 | 9,951 | **14,444** | 14,444 |
| Building | 10,593,721 | 5,127,209 | **5,466,512** | 5,808,067 |
| Computer | 224,840 | 137,875 | **86,965** | 59,506 |
| Equipment | 2,113,413 | 1,026,127 | **1,087,286** | 1,024,951 |
| Equipment under capital lease | 32,196 | 27,056 | **5,140** | 7,343 |
| Furnishings | 222,283 | 96,761 | **125,522** | 72,889 |
| Vehicle | 111,913 | 16,787 | **95,126** | 95,126 |
| Projects in progress | 248,931 | - | **248,931** | 88,270 |
| | 16,921,192 | 6,441,766 | **10,479,426** | 10,520,096 |

The Home has no external capital requirements. Capital requirements are managed internally to ensure continued ability to provide services to residents.

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| Trade payables and accrued liabilities | **804,752** | 344,647 |
| Accrued payroll | **186,647** | 98,348 |
| Government remittances | **148,832** | 127,778 |
| Vacation, stat and lieu payable | **1,151,798** | 1,138,756 |
| | **2,292,029** | 1,709,529 |

## 6. DUE TO SAINT VINCENT'S NURSING HOME FOUNDATION

The balance payable to Saint Vincent's Nursing Home Foundation (the "Foundation") relates to costs incurred by the Foundation on behalf of the Home. The balance is non-interest bearing and has no set terms of repayment.

## 7. DEMAND LOANS

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| CIBC, bankers acceptance, secured by land and building with a net book value of $8,830,456 repayable in equal monthly instalments of $46,968 until November 2023, including interest at 3.06% per annum. | **368,469** | 914,073 |
| CIBC, non-revolving demand credit facility, secured by equipment with a net book value of $171,590, repayable in equal bi-weekly instalments of $1,287 until March 2030, plus interest at CIBC's prime rate plus 0.75% per annum. | **234,286** | 267,756 |
| CIBC, non-revolving demand credit facility, secured by equipment with a net book value of $133,026, repayable in equal monthly instalments of $1,359 until March 2026, plus interest at CIBC's prime rate plus 0.75% per annum. | **48,929** | 65,239 |
| | **651,684** | 1,247,068 |

The security on long-term debt includes all present and after acquired personal property, first charge present and future collateral mortgage for $7,500,000 and adequate insurance with first loss payable to CIBC.

## 7. DEMAND LOANS (Continued)

Assuming like terms, principal due within each of the next five years is as follows:

| | $ |
|---|---|
| 2024 | 419,604 |
| 2025 | 49,780 |
| 2026 | 49,780 |
| 2027 | 33,470 |
| 2028 | 33,470 |
| Subsequent | 65,580 |

## 8. NOTES PAYABLE

The notes payable of $212,977 (2022 - $293,373) due to the Foundation, related through common board of directors, are non-revolving demand facilities, secured by equipment with a book value of $480,198, repayable in equal monthly instalments of $8,020 until March 2025 and $4,798 until March 2027, including interest at the bank's prime rate plus 0.75% per annum.

## 9. DEFERRED CAPITAL GRANTS

Changes in deferred capital grants are as follows:

| | **2023** **$** | 2022 $ |
|---|---|---|
| Balance - beginning of year | **5,511,066** | 4,766,661 |
| Amortization of deferred capital grants | **( 626,434)** | ( 503,416) |
| Amounts received related to future periods | **1,657,401** | 1,247,821 |
| Balance - end of year | **6,542,033** | 5,511,066 |

## 10. OBLIGATION UNDER CAPITAL LEASE

| | **2023** **$** | 2022 $ |
|---|---|---|
| Supercity Office Systems Inc, secured by equipment with a carrying value of $5,140, repayable in equal quarterly instalments of $1,580 until May 2023, including interest at 3% per annum. | **1,580** | 7,788 |
| Less current portion | **1,580** | 6,208 |
| | **-** | 1,580 |

## 11. SIGNIFICANT EVENT

On March 11, 2020, the World Health Organization (WHO) announced a pandemic due to the rapid increase in global exposure of a new strain of coronavirus (COVID-19). The Province of Nova Scotia declared a provincial state of emergency on March 22, 2020 which remained in place until March 2022.

The pandemic continues to impact the long-term care sector significantly. As world financial markets and general business activities focus on recovery and learning to operate with COVID-19, nursing homes face greater restrictions and additional safety requirements compared to the general public.

Management has assessed the impact of COVID-19 on the Home and, given the nature of the long-term care industry, see no material impact on the ability to continue operating as a going concern.

## 12. OTHER REVENUES

| | **2023** | 2022 |
|---|---|---|
| | **$** | $ |
| COVID-19 recovery | **449,117** | 470,816 |
| CCA retro | **123,165** | - |
| LPN retro | **-** | 158,735 |
| Nursing strategy | **-** | 68,756 |
| Wound care | **39,552** | 58,368 |
| Other | **164,828** | 156,938 |
| | **776,662** | 913,613 |

## 13. RELATED PARTY TRANSACTIONS

During the year, the Foundation, a party related through common control, transferred operating and capital donations to the Home. The transfers were made in the normal course of operations and are recorded at exchange amounts. Donations for projects that were not available for use as at March 31, 2023 were reported as deferred capital grants on the statement of financial position.

| | **2023** | **2022** |
|---|---|---|
| | **$** | $ |
| Operating donations received from the Foundation | **6,216** | 27,179 |
| Amount included in Donations from Saint Vincent`s Nursing Home Foundation | **6,216** | 27,179 |

## 13. RELATED PARTY TRANSACTIONS (Continued)

| | 2023<br>$ | 2022<br>$ |
|---|---|---|
| Capital donations received from the Foundation | **17,746** | 115,670 |
| Amount included in deferred capital grants | **-** | ( 90,371) |
| Amount included in Amortization of deferred capital grants | **17,746** | 25,299 |

## 14. LINE OF CREDIT

The Home has a $350,000 revolving line of credit available (due on demand). The line of credit bears interest at the CIBC prime rate plus 0.75% per annum. As at March 31, 2023, the outstanding balance was $NIL (2022 - $NIL).

## 15. DEFINED BENEFIT PENSION PLAN

The Home contributes to the Nova Scotia Health Employees Pension Plan (NSHEPP), a multi-employer pension plan jointly sponsored by Health Association Nova Scotia (HANS) and four unions, CUPE, Unifor, NSGEU and NSNU. The plan serves more than 30,000 active members at over 150 sites across Nova Scotia including the Nova Scotia Health Authority and the IWK Health Centre. The Home makes contributions ranging from 9.22% to 11.88% of the employees pensionable earnings. The Home is up to date with regard to the employer and employee contributions it is required to make as a member of this pension plan. During the year, the Home contributed $710,535 (2022 - $656,584) to the plan, representing its share of the benefit cost.

## 16. ECONOMIC DEPENDENCE

Effective January 1, 2005, the Home is funded by way of a fixed per diem, the cost of which is shared by the Nova Scotia Department of Seniors and Long-Term Care and the Residents. As such, the Home is dependent upon the Nova Scotia Department of Seniors and Long-Term Care to fund capital requirements and operations.

## 17. COMPENSATION DISCLOSURE

The Public Sector Compensation Disclosure Act requires the Home to disclose compensation paid to employees in excess of $100,000. During the year under audit, Mr. Kenneth Rehman, Director of Resident Care/Acting Executive Director, was paid $116,266, Ms. Angela Berrette, Executive Director, was paid $124,630, Ms. Evelyn Co, Registered Nurse, was paid $128,380, Ms. Maria Gammad, Licensed Practical Nurse, was paid $111,760, Ms. Charlene Isenor, Registered Nurse, was paid $115,556, Ms. Leticia Domondon, Registered Nurse, was paid $108,422, Ms. Rosalinda Quiming, Continuing Care Assistant, was paid $100,047.

## 18. FINANCIAL INSTRUMENTS

*Risks and concentrations*

The Home is exposed to various risks through its financial instruments. The following analysis provides a measure of the Home’s risk exposure and concentrations at March 31, 2023.

It is management’s opinion that the Home is not exposed to significant currency and other price risks from its financial instruments. The risks arising on financial instruments are limited to the following:

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Home to concentrations of credit risk consist of cash and accounts receivable. The Home deposits its cash in a reputable financial institution and therefore believes the risk of loss to be remote. The Home is exposed to credit risk from resident and Department of Seniors and Long-Term Care accounts receivable. The Home believes this credit risk is minimized as the Home has a large resident base. A provision for impairment of accounts receivable is established when there is objective evidence that the Home will not be able to collect all amounts due.

*Liquidity risk*

Liquidity risk is the risk that the Home will encounter difficulty in meeting obligations associated with financial liabilities. The entity is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, amounts due to Saint Vincent's Nursing Home Foundation, demand loans, notes payable, and obligation under capital lease. The Home generates sufficient cash flow from operating activities to fund operations and fulfill obligations as they become due. Sufficient financing facilities are in place should cash requirements exceed cash generated from operations.

## 18. FINANCIAL INSTRUMENTS (Continued)

*Market risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The entity is mainly exposed to interest rate risk.

*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 Home is exposed to interest rate risk on its line of credit and demand loans at variable interest rates. The Home has reduced its exposure to interest rate risk on its demand loans by entering into an interest rate swap contract in 2012 with CIBC that converts the interest characteristics of outstanding debt from a floating to a fixed rate basis. The interest rate swap effectively converts floating interest on the demand loans to a fixed interest rate of 3.06% per annum.

## 19. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the financial statement presentation adopted for the current year.