



ANNUAL REPORT

2018/2019

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About the RHRA

The Retirement Homes Regulatory Authority (RHRA) is mandated by the government to administer Ontario's [Retirement Homes Act, 2010](#) (the Act). Our core responsibility is to enhance the safety and consumer protection of residents in Ontario's retirement homes.

We are both a regulator and an advisor, with a singular focus on ensuring that retirement homes operate in a manner that support residents in living with dignity, respect, privacy and autonomy, in security, safety and comfort, and can make informed choices about their care options.

Scope

We fulfill our mandate by:

- Informing and educating the retirement home sector, residents, and the public about the Act, regulations and role of the RHRA;
- Licensing Ontario's more than 750 retirement homes and maintaining a [Public Register](#) available on our website;
- Inspecting retirement homes, overseeing compliance with the regulations and care standards and enforcing the Act for the protection of residents; and
- Advising the Minister for Seniors and Accessibility on policy matters related to retirement homes.

Organizational Structure and Accountability

The RHRA is a not-for-profit corporation established as an administrative authority of the Ontario government through the Act. We are mandated to administer the Act and its regulations.

The government retains responsibility for the Act and regulations. The RHRA is responsible for ensuring the legislation and regulations are implemented and enforced. Headquartered in Toronto with staff deployed across the province, the RHRA is self-financed primarily through annual fees and receives no taxpayer monies. The RHRA is not part of the Ontario government, nor are we a Crown Corporation. However, we are accountable to government through the Minister for Seniors and Accessibility. A Memorandum of Understanding (MOU) sets out the roles and obligations of the RHRA and government.

Vision

Ontarians have choice and the protection they need to live with confidence and dignity in retirement homes.

Mission

The RHRA employs the most effective means to encourage and achieve compliance, to reduce harm, to support residents and families in making informed choices, and to enable a strong and diverse sector. Using an innovative and balanced approach, we:

- Use data, evidence and analysis to support a risk-based approach to decision-making
- Inform, educate and engage current and prospective residents, families, partners and other stakeholders
- Inform, guide, inspect and educate the retirement home sector
- Use all available tools to protect residents, including enforcement

Values

Excellence

Fairness

Accountability

Collaboration

Efficiency

Effectiveness

Message from the Chair

This fiscal year has been one of transition across many facets of the RHRA as well as the context in which it operates. This is to be expected as we are becoming a more mature organization. Managing risk is the key to a successful transition, particularly given the RHRA's mandate to help ensure the safety and protection of seniors living in retirement homes. I'm pleased to report that the RHRA has successfully navigated the many changes that happened this year and made significant achievements toward the goals set out in the organization's five-year strategic plan.

Our Board takes its role in guiding the organization very seriously, as it does its accountability to government. The Board focused on its role as trusted advisor, supporting the transition in government, establishing a strong working relationship with the new Minister for Seniors and Accessibility, and continued to strengthen its relationship with Ministry leadership and staff. The RHRA was pleased to work collaboratively with the Ministry to identify regulatory burden-reduction items that would not impact resident safety or consumer choice as part of the broader initiative within government.

The Board focused on ensuring good governance, strategic alignment, providing continuity and guidance to management and monitoring risk at the RHRA. There was even change within the Board itself as David Oliver joined the Board in June. The Board appreciated the addition of his input and perspective to our governance and oversight work.

One of the Board's most important tasks was conducting a successful search for a new Chief Executive Officer and Registrar. On behalf of the Board, I welcome Jay O'Neill to this important leadership role at a pivotal time in the organization's evolution. I also want to thank the staff and management of the RHRA for their hard work and significant achievements in light of the transitions that characterized this fiscal year.

Change is a constant – this is generally the rule, not the exception. However, in a year with exceptional change, the RHRA demonstrated adaptability and resilience to make significant progress. These qualities will undoubtedly enable future successes in any context.



John J. Rossiter

Message from the Chief Executive Officer and Registrar

I was very pleased to take on the role of Chief Executive Officer and Registrar at the RHRA at the end of the first quarter of 2018/2019 after seven years with the organization. During this time, I've had the opportunity to visit retirement homes on many occasions – speaking with residents is what drives home how critical the RHRA's mission is.

Unfortunately, the organization had to spring into action almost immediately to navigate two abrupt closures of retirement homes in Eastern Ontario. More than 45 residents were displaced, and \$36,410 was paid from the RHRA's Emergency Fund to the homes' former residents to help them transition to new living arrangements. I'm very proud of how the RHRA responded to the crisis, particularly in terms of working with our partners, including the local fire department, local health integration network (LHIN), and other social agencies and emergency services to mitigate the impact on the residents living in these two homes. I'm also proud of the enforcement action the RHRA took to revoke the licences of these homes to ensure the licensee was held accountable.

A key accomplishment in a year of transition was re-establishing the core functional teams within the organization and finalizing the new corporate structure moving forward. This included recruiting and hiring senior leaders, reallocating resources within the RHRA to build additional regulatory capacity, as well as streamlining processes to gain efficiencies.

I'm encouraged by the positive feedback we received through our 2018 stakeholder effectiveness survey. Not only does it help confirm that in most cases we're doing the right things, it also highlights areas where we need to do more work moving forward. Engaging stakeholders was a key principle in many of our projects this year, and that will continue. More detail on the feedback the RHRA received can be found in this report.

Data is an important driver of our priorities and initiatives at the RHRA, and significant progress was made during the year on the data we collect and the analysis that was undertaken to inform our activities. For example, the RHRA, in partnership with McMaster University, made headway in identifying measures related to the quality of life of residents in retirement homes. Collecting information and using these measures to track trends and progress over time was a key foundational element that will help us achieve the goals set out in our strategic plan.

I thank every member of the RHRA staff for their effort and dedication to our mission to ensure seniors can live with respect and dignity, in a safe environment where they can make informed choices about their care. I thank the Board for their guidance, vision and dedication; in particular, thank you to John Rossiter for his support as Board Chair as I took on the leadership role with the organization. I look forward to working with the Board, the RHRA team, government, our stakeholders and our partners as we continue our important work.



Jay O'Neill

Strategic Plan in Action

Pillar One: Enhance Regulatory Approach to Encourage Compliance and Better Protect Residents

- Enhance compliance standards and enforcement approach
- Establish relationships with other regulators
- Expand risk management activities to assist in harm reduction
- Expand regulatory model to include harm reduction

Plan	Result
<p>Creating compliance standards related to two of these four areas:</p> <ul style="list-style-type: none"> • Behaviour Management policies • Emergency Plans • Confinement • Providing educational and support materials to Retirement Homes 	<p>The RHRA completed a compliance standard and educational materials for Assessments and Plans of Care, along with the compliance standard for Emergency Plans. The compliance standard for Behaviour Management and associated materials were initiated within the fiscal year.</p>
<p>Implementing specific steps to revise our regulatory model through new approaches to Inspections, Compliance and Enforcement, including:</p> <ul style="list-style-type: none"> • Improving and enhancing our inspection model through further data automation • Streamlining our ability for monitoring specific compliance areas over time • Enhancing our methods to better assess compliance 	<p>A new inspection model was designed and a pilot was deployed with the participation of more than 30 retirement homes.</p> <p>Increased focus on observation and implementation of policy, rather than simply how the paper-based policy is written.</p> <p>Improvements to risk-based tools to support enhanced Inspector preparation, including review of previous inspection data and information with a focus on high risk of harm areas.</p>
<p>Continuing with, and where appropriate, enhancing our compliance support function</p>	<p>Improved communication, automation, and tracking.</p>

Pillar Two: Strategic Information through Data and Analytics

- Create and leverage sustainable data analytics infrastructure
- Develop and implement a risk management framework
- Implement internal licence report card
- Identify, access and integrate external data sources
- Collaborate with other regulators to share information

Plan	Result
<p>Incorporating results of the peer review process into our compliance management framework</p> <p>Conducting research on quality of life indicators and how these may inform future analysis and reporting</p>	<p>In collaboration with McMaster University, the RHRA identified a set of quality of life indicators that are most appropriate to the retirement home sector.</p>
<p>Identifying and incorporating external data sources that can inform our analysis and further enhance our identification of risk</p>	<p>The RHRA identified and prioritized the acquisition of data from the Technical Standards and Safety Authority (TSSA) related to elevator safety to help enhance how we assess risk of harm.</p>
<p>Refining the approach and content of the annual survey</p>	<p>A thorough analysis was undertaken to determine how the RHRA uses data collected and its availability through other means. A decision was made to discontinue the annual survey to streamline reporting requirements for retirement homes. However, homes are required to collect and record data should the RHRA request it in future.</p>

Pillar Three: Promote Informed Decision-Making through Outreach

- Develop and execute a retirement home engagement strategy, including residents' councils
- Build and leverage social media capabilities
- Build effective partnerships with seniors' associations, and complementary healthcare and regulatory organizations

Plan	Result
<p>Through targeted outreach, build awareness among specific stakeholder groups including MPPs, Local Health Integration Networks (LHINs) and other health system organizations, and individual providers such as discharge planners</p>	<p>As part of a five-stop provincial tour, the RHRA engaged with stakeholders through a series of senior staff meetings and direct communication with all 14 LHINs, registered health professional organizations including the College of Nurses, Council of Medical Officers of Health as well as several MPPs.</p>

Introducing a new RHRA recognition and awards event	The RHRA successfully launched its awards program in October 2018. Please see page 14 for details.
Implementing an event plan targeting seniors, their families and health providers	The RHRA attended seniors' fairs in four communities to raise awareness of its mandate, the protections the RHRA offers to residents of retirement homes and tools to help prospective residents and their families make informed decisions.
Expanding resident communication through the introduction of new channels	The RHRA developed a resident communications toolkit that includes a series of digital and print RHRA-related materials that can be leveraged by retirement homes and residents' councils.
Improving media coverage and reach	Mentions of the RHRA in mass media were positive. The RHRA also extended its reach through digital advertising and matte articles in local newspapers.

Pillar Four: Consumer Protection and Choice through Transparency, Accountability and Public Reporting

- Increase access to inspection outcome data
- Develop and implement public report card

Plan	Result
Create new sections and information on the Public Register to inform consumers of the status of a home	A new inspection summary section was added to the Public Register. The Important Public Advisories section was added to highlight high-profile safety and consumer protection issues related to retirement homes.
Work with consumers and the retirement home industry to identify a format for a public scorecard	Consumer focus groups were completed. Further planned work on the project was delayed due to staff transitions.

Pillar Five: Prepare for the Future

- Establish dedicated environmental monitoring resources
- Monitor developments in dementia, alternate levels of care and harm prevention
- Reduce reliance on fee revenues

Plan	Result
Conduct the stakeholder effectiveness survey as required by the MOU	Survey was conducted in July/August 2018. Results indicate stakeholders are generally very positive about the RHRA and how it delivers on its mandate. See page 11 for details.
Create and facilitate a leaders' roundtable session	This initiative was replaced with a Chief Executive Officer Listening Tour. The RHRA's new CEO visited five retirement homes to meet licensees and operators to gather perspectives and input.
Create a vision document that clearly articulates the RHRA's strengths and abilities so that other entities can better utilize our strengths	This initiative was deferred as a result of staff transitions.

Success Stories

Testing a New Inspection Model

A key foundational project in the RHRA's five-year strategic plan is the regulatory program modernization project. The main goal of this project is to develop a comprehensive, transparent and evidence-based inspections program that enables the RHRA to proactively identify risks to retirement home residents' safety and quality of life over the five-year period. The new approach to inspection also seeks to improve efficiencies in our operations and consistency in our compliance assessments.

In 2018/2019, the project team initiated a pilot to test a new inspection approach with more than 30 retirement homes. The new inspection approach focuses on an evaluation of how the home policies and practices prevent harm to residents (e.g. protection from falls, infection prevention, behaviour management, abuse and neglect or hazardous substances).

Assessments are based on the compliance history of the home, observations within the home (e.g. interactions with residents, cleanliness, maintenance) and documentation related to implementation (e.g. complaints logs, falls logs, emergency plan testing records) with reduced emphasis on policy reviews. Inspections which are proportional to risk of harm to residents are intended to reduce regulatory burden on homes who successfully implement policies and practices to prevent harm and to allow the RHRA to redirect inspection resources where they are most needed. The pilot was underway at year end with results expected in early May 2019 and a full provincial rollout planned for the end of the second quarter of fiscal 2019/2020.

Engaging our Stakeholders

The RHRA is committed to engaging stakeholders in the development of its programs and processes related to our administration of the Act and regulations, because we believe stakeholder input helps us minimize negative outcomes and amplify potential opportunities for improvement. Moreover, the RHRA's Memorandum of Understanding with government requires the RHRA to have an independent third party facilitate an effectiveness survey of the RHRA's stakeholders at least once every three years.

In 2018, Ipsos conducted the second [Stakeholder Effectiveness Survey](#) on behalf of the RHRA and prepared a report of key findings. Results were largely positive, with all stakeholder groups indicating that the RHRA is viewed as an important and respected organization that plays a valuable role for residents of retirement homes and those running them. In addition, the survey found:

- The RHRA struggles with familiarity and awareness of our mandate among residents and non-residents (seniors and caregivers), consistent with 2015 results.
- The RHRA is considered by stakeholders to be a good collaborator when it comes to information sharing, however there's room for improvement on educating the public – especially on the difference between retirement homes and long-term care homes.
- The materials the RHRA disseminates to retirement homes are being used primarily for internal purposes by licensees and operators, and are not being shared by retirement homes with residents or the public.

Insights from this survey built on baseline information collected through the RHRA's initial survey conducted in 2015 and set expectations and areas of focus for the RHRA moving forward, resulting in the development of an action plan that supports continuous improvements.

The survey and action plan are available on rhra.ca.

Building a Strong Team

The RHRA Board appointed Jay O'Neill as Chief Executive Officer and Registrar on June 11, 2018. Mr. O'Neill was formerly Chief Operating Officer with the organization and his appointment helped facilitate continuity and smoothed the leadership transition process. By the end of November, the organization filled all vacancies on its senior leadership team and narrowed its focus to ensure the delivery of select strategic projects prior to year-end. In order to continue to respond to increasing regulatory activity, the RHRA also undertook a realignment and reallocation of resources to build capacity within the organization. By year-end, all core functions were at or approaching full complement.

Working Collaboratively with External Partners

As of January 1, 2019, all licensed retirement homes in Ontario were required under the Ontario Fire Code to be equipped with automatic sprinklers. While local fire services were responsible for assessing compliance and taking enforcement action under the Ontario Fire Code, the RHRA's role was to provide the public with information on a retirement home's sprinkler status through our Public Register.

The RHRA worked closely with other partners, including local fire services, the Office of the Fire Marshal and Emergency Management (OFMEM), and the Ministry for Seniors and Accessibility to support the Ontario government's fire sprinkler retrofit process and ensure the public had up-to-date information on the progress that retirement homes are making toward compliance with the Ontario Fire Code.

Protecting Residents from Harm

As a regulator, the RHRA's overarching mandate is to protect residents in licensed retirement homes, and those living in unlicensed homes that are operating outside the law, using our regulatory powers and in collaboration with our community partners.

The RHRA has taken several enforcement actions under the Act up to and including prosecution against an operator that continued to operate a retirement home in north Toronto without a licence. The operator was a repeat offender, having been previously convicted, fined and imprisoned in 2015, and was convicted for a second time in 2019 by the Ontario Court of Justice for operating a home without a licence and multiple counts of breaching probation. The RHRA worked closely with the LHIN, Toronto Fire Services, local hospitals and other partners to help protect and minimize the impact on the residents of this unlicensed home.

Regulatory action is also required in situations when a home is licensed but unable to meet the needs of its residents. When the RHRA was informed about risk to residents at a home in Eastern Ontario related to staffing issues, the RHRA worked closely with partners including the LHIN to ensure that the 32 residents affected were provided appropriate care. The RHRA ordered the licensee to take immediate steps to obtain enough staff and other services to provide residents with timely care in accordance with their plan of care and the Act.

With the support of local fire services and other agencies, the residents were eventually evacuated from the home. The RHRA made \$36,410 in total payments through its emergency fund in 2018/2019, the largest ever disbursement. The majority of this was in support of residents affected by this home's abrupt closure.

Celebrating Excellence in the Retirement Home Sector

On October 18, 2018, the RHRA hosted its first joint Annual General Meeting (AGM) and Annual Celebration Event in Toronto, Ontario. The Annual Celebration Event marked the introduction of a new awards program to recognize the contributions of retirement home residents and community partners towards our shared vision for resident protection. The RHRA was pleased to acknowledge its extraordinary award recipients: Joyce Fearnside from Belmont House, recipient of the Frank Kajfes Resident Champion Award, and the Office of the Fire Marshal and Emergency Management, recipients of the 2018 RHRA Partners in Protection Award. The event also included presentations from our keynote speaker, Dr. Jane Barratt, Secretary General from the International Federation on Ageing (IFA), and the Honorable Minister Raymond Cho, Minister for Seniors and Accessibility. Photos from the event are available on rhra.ca.

Key Performance Measures

Our [five-year strategic plan](#) set the course for moving the RHRA towards an evidence-based, risk-managed approach to compliance. This includes making data-driven decisions, as well as putting more emphasis on education and other activities to enable operators to come into compliance with the Act.

With the launch of our [Compliance Assistance Modules](#) (CAMs) and an improved risk identification framework, we are seeing a positive shift towards compliance. While complaints-related citations increased as a natural consequence of the increased focus on this area during the fiscal year, we would expect to see a decrease as the sector adjusts to the new standard.

We have identified three key measurable objectives that have the greatest impact to improve the protection of residents living in retirement homes: levels of risk (safety), compliance and transparency. The following measures will evaluate the effectiveness of targeted activities and programs year-over-year as set out in our annual Business Plan. In future years, we will include additional measures and initiatives.

Strategic Pillar	Objective	Measures	2017/2018 Baseline	2018/2019 Performance
Encourage Compliance and Better Protect Residents	SAFETY Increase impact of overall compliance with the Act, measured by home performance.	Change in risk levels of homes (based on observed non-compliances) in relation to the Act and overall home performance changes.	Risk Level Changes: High Risk: decreased by 47.5% Medium Risk: increased by 27.4%* Low Risk: increased by 60.6%	Risk Level Changes: High Risk: decreased by 42.5% Medium Risk: decreased by 14.2% Low Risk: increased by 43.6%
Strategic Information Through Data and Analytics	COMPLIANCE Reduce the percentage of homes with non-compliance related to specific areas, through CAMs and compliance support initiatives.	Complaints: Number of citations.	424 citations related to complaints procedures	607 citations related to complaints procedures

<p>Consumer Protection and Choice Through Transparency, Accountability and Public Reporting</p>	<p>TRANSPARENCY</p> <p>Increase awareness of the RHRA’s mandate among residents and consumers as a trusted source for protection.</p>	<p>Province-wide omnibus public survey</p> <p>Questions:</p> <p>Is there a regulatory body that is responsible for licensing retirement homes in Ontario?</p> <p>Is licensing mandatory for retirement homes in Ontario?</p>	<p>Province-wide omnibus public survey</p> <p>Results:</p> <p>44% Yes 10% No 46% Don't know</p> <p>52% Yes 10% No 38% Don't know</p>	<p>46% Yes 6% No 48% Don't know</p> <p>53% Yes 8% No 39% Don't know</p>
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*number restated due to typographical error

Three Years in Numbers

Licensing

Licences	As of March 31, 2019		As of March 31, 2018		As of March 31, 2017	
	Homes	Suites	Homes	Suites	Homes	Suites
Issued	750	61,630	747	59,960	729	58,142
Issued with conditions	6	336	6	370	6	351
Total	756	61,966	753	60,330	733	58,493

Note: Suites are a measure of capacity, not actual residents

Intake

Intake	FY 2018/2019	FY 2017/2018	FY 2016/2017
Intake contacts	5,076	4,745	4,511

In 2018/2019 there was an overall increase of 7% in the number of intake contacts with the RHRA over the previous year.

Inspections

Inspections	FY 2018/2019	FY 2017/2018	FY 2016/2017
Routine	473	659	487
Mandatory report inspection (s. 75)	592	641	545
Complaint inspection (s. 84)	41	39	44
Compliance inspection (s. 77(1))	28	9	175
Report to Registrar (s. 77(2))	24	35	32
Licensing inspection (s. 37)	2	0	0
Total	1,160	1,383	1,283

Overall, the number of inspections was lower in 2018/2019 compared with the prior year. The change in routine inspections reflects changes in risk profile, which in part drives inspection frequency. Mandatory Report Inspections were largely consistent with prior years, however the number of Compliance Inspections increased as a result of a subset of homes requiring additional regulatory attention.

Complaints

Complaints	FY 2018/2019	FY 2017/2018	FY 2016/2017
Received during period	106	96	75
Closed during period	74	96	60
Open at end of period	47	20	20
Complaints Review Officer			
Referrals	9	9	3
Decisions rendered	12	6	5

The number of complaints that the RHRA receives continues to increase year-over-year. In 2018/2019 it was 10% higher than the prior year, and it is expected that this trend will continue. While the RHRA reacts immediately to complaint concerns, as a result of staffing changes and the increasingly complex nature of some complaints, there were fewer complaints closed with final documentation than in the prior year. By the end of the year, the RHRA had staff in place and were actively addressing outstanding complaints.

Enforcement Actions

Type of Action	FY 2018/2019 Action	FY 2017/2018 Action	FY 2016/2017 Action
*Impose conditions upon licence (s. 39)	5	1	5
*Refuse licence (s. 36)	2	0	1
Order to apply or cease to operate (s. 89)	9	6	6
Compliance order (s. 90)	4	2	16
Management order (s. 91)	2	1	0
Administrative monetary penalty (AMP - s. 93)	4	4	6
Order to revoke (s. 95)	5	0	1
TOTAL ORDERS/DECISIONS	31	14	35

Enforcement activity increased in 2018/2019. While some of this activity reflects specific situations with individual licensees/locations where more than one enforcement step was taken, it also reflects a general increase in instances where enforcement action was warranted.

Emergency Fund

The Emergency Fund is established to allow Registrar Payments and Resident Claims for support under certain circumstances.

Emergency Fund	FY 2018/2019	FY 2017/2018	FY 2016/2017
Number of Registrar Payments	24	0	7
Total value	\$36,410	0	\$4,774
Fund balance at end of period (March 31 st)	\$597,271	\$597,177	\$572,031

In 2018/2019, disbursements from the Emergency Fund were the highest in the RHRA's short history. The Registrar approved payments to support residents in relocating when faced with the unexpected closure of their retirement home.

Licence Applications

Licence Applications	FY 2018/2019	FY 2017/2018	FY 2016/2017
New (Build/Operations)	11	25	16
Transfer of ownership	30	44	35
Operating without a licence	4	2	5
Total	45	71	56

Stakeholder Advisory Council Report

April 23, 2019

John J. Rossiter
Chair, Retirement Homes Regulatory Authority
55 York Street, Suite 700
Toronto, ON M5J 1R7

Dear John,

On behalf of the Stakeholder Advisory Council (SAC), I am pleased to submit the Council's report on activities and advice to the Board for the fiscal year 2018-19.

The Council was pleased to provide advice and input on a number of key initiatives including:

- 2019 Fee review.
- Establishment of the Frank Kajfes Resident Champion Award which included:
 - Development of Selection Committee process;
 - Review of nominees and selecting recipient for award presented at RHRA's Annual Celebration Event; and
 - Award acknowledgements on Website.
- Development of Resident Council education materials to support residents who wish to establish a council in their homes.
- Stakeholder Effectiveness Survey 2018 draft surveys and stakeholder engagement strategy.
- Ongoing development of the Public Report Card.
- Assisting with ideas to enhance Resident Communications.
- Regulatory Program Modernization.

The Council would like to highlight the value of RHRA's continued stakeholder outreach and engagement including residents. We have heard first hand, that residents are seeing the impact of their voice, reflected in initiatives implemented by RHRA that have benefited residents.

We would also like to acknowledge the important role of the Board, whose responsibilities include corporate governance, regulatory oversight, and guiding the development of the RHRA's strategic plan and priorities. The Board would greatly benefit from having a resident perspective at the table. As such, the Council recommends the Board of Directors include one resident representative.

On behalf of the Council, I would like to thank the RHRA staff for its ongoing support to SAC, and to consistently meaningful engagement. Our members continue to be fully committed to advising the RHRA through our stakeholder lenses helping to ensure that residents and consumers are informed and protected.

Sincerely,



Esther Goldstein
Chair, Stakeholder Advisory Council

Board and Governance

The governance of the RHRA is established through the Act and its regulations, by-laws, policies, as well as a Memorandum of Understanding with the government through the Minister for Seniors and Accessibility. The Board of Directors is accountable to the Minister through the Chair.

The Board is responsible for corporate governance, regulatory oversight and guiding the development of the RHRA's strategic plan and priorities. Along with the RHRA's management team, Board members are focused on the most progressive governance and regulatory oversight practices. The Board is committed to continually strengthening its governance practices and oversight of the organization, as well as maintaining its support of government's public accountability mandate. Information on the Code of Ethics and terms of appointments for directors can be found on RHRA.ca.

The Board meets formally approximately four times per year. Board activities are supported by the work of two committees:

- The Governance, Regulatory Affairs and Nominations Committee assists with oversight responsibilities and risk management function regarding:
 - Governance structure and processes;
 - Recruitment/nomination and Board member education/development;
 - Board/individual director effectiveness evaluation;
 - The Complaints Review Officer and Risk Officer;
 - Regulatory affairs; and
 - Stakeholder collaboration/outreach oversight
- The Finance, Audit and Human Resources Committee assists with oversight responsibilities and risk management function regarding:
 - Financial reporting, audit and enterprise risk management;
 - The Emergency Fund; and
 - Human resources and compensation

Election and Appointment Process: The RHRA corporate by-laws and process for the election and appointment of directors to the RHRA Board of Directors are available at RHRA.ca (see Corporate By-Law No. 1 and By-Law No. 2, and Board of Directors Nominations Policy).

Board Remuneration

The Board Remuneration and Administration Policy sets in place the following:

- Per diem rate for the Board Chair is \$730
- The Chair receives an annual retainer of \$10,000, and the Vice-Chair and Board Committee Chairs receive annually a \$5,000 retainer for work done outside Board and committee meetings
- Per diem rate for all other board members is \$500.

For fiscal year 2018/2019, the total Board remuneration was \$126,355.

Board Members

JOHN J. ROSSITER — CHAIR John is CEO of SEM-ENG International Limited. John provides a range of 'smart sustainable' services such as strategic planning, public policy, advocacy, public affairs and stakeholder relations to clients in the private, public and not-for-profit sectors on both the national and international scenes. He holds a Bachelor of Commerce degree from Carleton University. Year 2 of Term 3 (6 years)

BARBARA SULLIVAN — VICE-CHAIR Barbara is President of The Cheltenham Group, a company specializing in governance services and public policy development. She is currently a Governor of Mohawk College, Director of Bay Area Health Trust, and Director of the Ontario Association of Former Parliamentarians. Barbara was Principal Secretary to the Treasurer of Ontario from 1985 to 1987. She served as a Member of the Provincial Parliament for Halton Centre from 1987 to 1995. Active in community affairs, Barbara has served as Chair of Hamilton Health Sciences Corporation, Director of Country Heritage Park, Chair of the Oakville Centre for the Performing Arts, Vice-Chair of Ontario's Commission on Election Expenses, and Director of Oaklands Centre for developmentally disabled adults. She was also Chair of the Health Professions Regulatory Advisory Council from 2004 to 2010. Barbara is a frequent university guest lecturer speaking on the formulation of public policy. Year 1 of Term 3 (5 years)

MATHILDE GRAVELLE BAZINET Mathilde is President of MGB & Associates Conflict Resolution Professionals. Her expertise was gained as Dean of Health Sciences at Canadore College, Legal Counsel at Health Canada, and as the Executive Director of the Office of Conflict Management and Federal Centre for Workplace Conflict Management at Justice Canada (1996 - 2004). She has B.Sc.N.Ed, M.Ed. and LL.B. degrees from the University of Ottawa, as well as her Canadian Fellow designation from National Defence College. Year 2 of Term 4 (8 years)

BOB KALLONEN Bob is President of Amica Senior Lifestyles. Bob served as the COO at Schlegel Villages of Kitchener, Ontario, Vice-President Operations for Sunrise Senior Living of McLean, Virginia, Vice-President of Eastern Canadian Operations for Extendicare Canada and on the Board of the Schlegel-University of Waterloo Research Institute for Aging. Bob holds an Honours Bachelor of Environmental Services from the University of Waterloo and an Executive MBA from the Ivey Business School, University of Western Ontario. Year 3 of Term 3 (6 years)

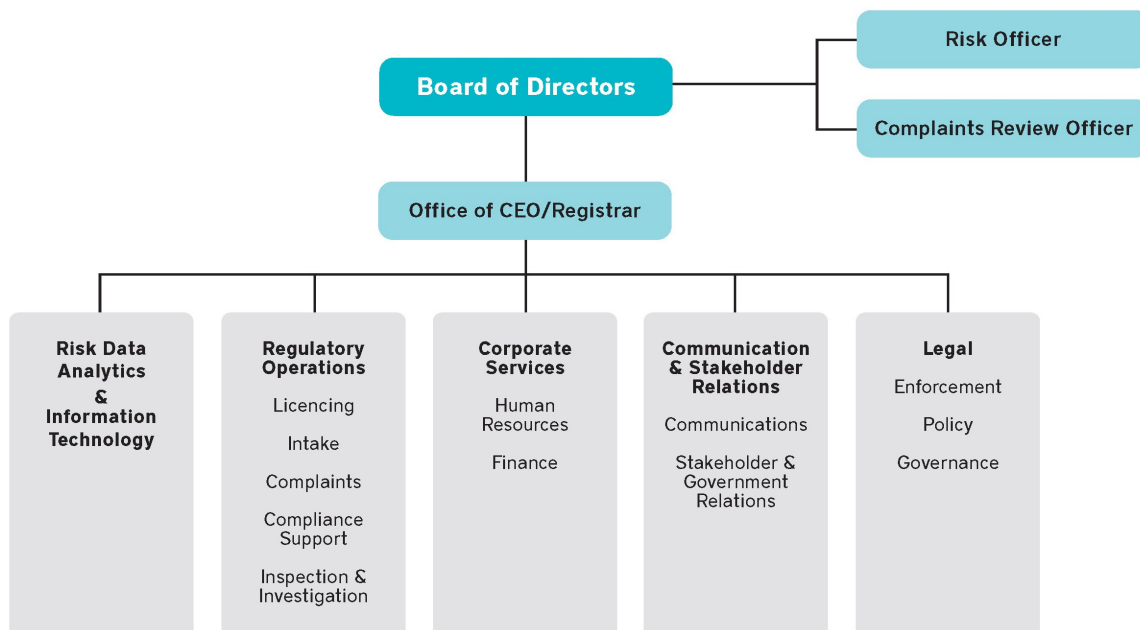
MILLIE CHRISTIE Millie is Vice-President for a Canadian retirement home and long-term care home company. Millie served on the Technical Advisory Committee on Improving Fire Safety for Vulnerable Ontarians and as Chair and member on several industry committees including standards, education, e-health, and financial liaison. Millie holds a B.Sc. from the University of Western Ontario and an MBA from McMaster University. Year 1 of Term 3 (6 years)

TREVOR LEE Trevor is Deputy CAO, Corporate Services, City of Guelph. He was formerly the CEO of The Elliott Community in Guelph, Ontario. Trevor has served as Chair of a regional group of long-term care and retirement facilities, with the Ontario Association of Non-Profit Homes and Services for Seniors, and more recently as Chair of the Stakeholder Advisory Council at the RHRA. Trevor is a Certified Professional Accountant and holds an Honours Bachelor of Arts in Chartered Accountancy and a minor in Economics. Year 3 of Term 2 (6 years)

CARLA PEPPLER Carla is a nurse practitioner and manager of the Heartful Wellness Centre in Hanover. Carla has extensive experience, having worked as the Director of Policy and Resident Care with the Ontario Nursing Home Association/Ontario Long-Term Care Association. She has also worked on the implementation of the Compliance Management Program for Long-Term Care Facilities, the Advocacy Act and the Consent to Treatment Act. Year 3 of Term 3 (8 years)

DAVID OLIVER David is currently President of Oliver Advisory, an independent consulting firm. He previously served as National Lead and Vice-President at MD Financial Management. Prior to joining MD Financial Management, David was Chief Portfolio Manager, Vice-President and Executive Director at CIBC, as well as Vice-President at TD Bank. He started his career as an economist at the Ontario Ministry of Finance. David serves on the Board of Directors of Lawyers' Professional Indemnity Company (LawPRO), CDSPI and North York Arts. He served as a member of the Canadian Medical Association Pension Plan Investment Committee, as well as the Investment Dealers Association Regulation 1300 Review Committee. David graduated from the University of Toronto with a Bachelor of Commerce and a Master of Arts in Economics. He holds the Chartered Director, Chartered Financial Analyst, Chartered Investment Manager, and Fellow of the Canadian Securities Institute designations. Year 1 of Term 1 (0.5 year)

Organizational Chart



Activities of the Risk Officer and Complaints Review Officer

The Risk Officer reports to the Board and is responsible for independently reviewing, monitoring and assessing the effectiveness of the RHRA's administration of the Act. In May 2018, Nav Sandhawalia was appointed to the position of Risk Officer for a three-year term. The former Risk Officer, Deanna Williams, delivered her fourth Risk Officer Report. The Board reviewed and provided a response, after which the Report was presented during the RHRA's Annual General Meeting in October 2018. It is available, together with the Board's response, at RHRA.ca.

Appointed by and reporting to the Board, the Complaints Review Officer, Elyse Sunshine, is responsible for reviewing matters where a complainant is not satisfied by the conclusion of the Registrar to take no further action in relation to a complaint. During 2018/2019, Ms. Sunshine rendered decisions on twelve matters, nine of which were received during the fiscal year, with the remaining three received in the prior fiscal period. The Registrar's decision was upheld in seven reviews and five were referred for more information or action.

Key Corporate Policies

Complaints

Complaints and concerns related to the administration of the RHRA may be received directly by management, staff members or intake representatives, and are referred to the appropriate staff for review and resolution. The Director, Human Resources reviews and determines the impact or action required based on the RHRA policies and processes. The Board is advised of substantive concerns. As of March 31, 2019, one complaint was received related to inspector conduct. The RHRA addressed the matter through refresher training to inspectors. The complainant appreciated and accepted the RHRA's action and the matter was closed within five weeks. This and other corporate policies, including the Code of Ethics, are posted at RHRA.ca.

French Language Services

To support provisions within the Act and the RHRA's French Language Services Delivery Policy, the RHRA makes communications, information and notices available in French through a dedicated website, rhra.ca/fr, where a French version of this Annual Report is available. The RHRA responds to all requests for French services.

Staffing

All RHRA job postings highlight that written and spoken bilingualism in French and English is considered a significant asset. On staff, we currently have:

- One designated bilingual position — Inspector (Ottawa area)
- Three positions filled by bilingual staff (including Client Services)

Website and public documents in French

All public documents, including information for operators and licensees, is available in French on the RHRA's French website — L'Office de réglementation des maisons de retraite (ORMR).

- Inspection reports are available in French upon request
- RHRA Update, an e-newsletter for operators, is distributed in French and English
- Brochures and posters for residents and the public are produced in French

French inquiries

In 2018/2019, the RHRA responded to 5,076 inquiries, of which 49 were in French, representing less than 1% of all inquiries.

French-licensed retirement homes

20 homes are bilingual

Accessibility Policy

The RHRA is committed to fulfilling its obligations in accordance with the *Accessibility for Ontarians with Disabilities Act, 2005* (AODA). As part of our commitment to meeting our obligations under the AODA, the RHRA has developed a comprehensive training module for all staff, with processes to assist persons with disabilities and a plan to prevent and remove barriers to accessibility. The Accessibility Customer Service Policy can be found at RHRA.ca.

Financial Report

The following financial review is based upon the audited financial statements of the RHRA for the fiscal year ended March 31, 2019, with comparative amounts for the previous fiscal year.

Overview

The financial position and statement of operations reflect initiatives and development projects undertaken in year two of the RHRA's Five-Year Strategic Plan, along with the organization's day-to-day activities, including licensing reviews, Public Register maintenance, inspection, compliance support and enforcement actions.

Overall, these results were better than planned primarily due to lower staff compensation costs related to vacancies and select deferred expenses for the same period, while revenues came in as budgeted. This resulted in a modest surplus for the year. Additional detail on revenue and expenses are highlighted below and shown in the financial statements. In total, these reflect stability in the RHRA's mandate to be financially self-sustaining.

Transfers made to the internally restricted operating reserve reflect important steps in continuing to strengthen the RHRA as financially autonomous while meeting its obligations for the Emergency Fund. As a result of two abrupt closures of retirement homes in Eastern Ontario, the RHRA paid out \$36,410 from the Emergency Fund, the largest payout in a fiscal year to support displaced residents. The Emergency Fund broke even because of the assessment of Administrative Monetary Penalties (AMPs) and interest earned on the balance. The Emergency Fund remains stable at its current funding level, consistent with its applicable policy. Expenditures reflect regulatory and development project activities, as well as the corresponding operating expenses and investments in capital assets to support the implementation of the RHRA's Strategic Plan. The Statement of Operations and the Statement of Cash Flows reflect these activities for the year ended March 31, 2019.

Operating Revenue and Expenses

Total revenue increased by 5% to reach \$8.1 million, which achieved plan and reflected expected growth of 2.7% in retirement home suites and a fee rate increase of 2%.

The RHRA's operating revenue is made up of annual fees (\$7.2 million), application fees (\$534,600) and other revenue (\$14,951). Annual fees are the single largest source of revenue, accounting for 88% of the total. Annual fees are billed on a calendar year basis and recognized in the year to which the fees relate. Annual fees for the fiscal year reflect those realized from April 1, 2018, to March 31, 2019.

Revenue from application fees is based on activity during the year primarily resulting from ownership transactions and new homes. Salaries, wages and benefits are the RHRA's largest expenditure.

Expenses increased slightly over the previous year by 3% but were 4% below plan due to savings on salaries related to unplanned staff vacancies and deferred projects as a result of lower staff complement. Vacancies were largely filled by year-end and management continued to build capacity to help the RHRA meet the many regulatory requirements of the Act. Additional expenditures included outsourced legal services related primarily to enforcement activity and other general expenses. During the year, the RHRA relocated its offices after having finalized its long-term lease arrangements, incurring some one-time costs related to relocation as well as its required leasehold improvements. All of these activities were completed within budget and are appropriately reflected within the financial statements. Amortization of capital assets and the deferred liability are recorded in accordance with the stated accounting policy.

Investments

The RHRA manages its investment portfolio according to its investment policies which include a target mix of investment types designed to achieve the optimum return while maintaining an overall low level of risk exposure. Investment income for 2018/2019 was \$293,378, an increase of 30% over the previous year.

Surplus/Deficit & Reserve

The RHRA recorded an operating surplus of \$262,480 – 75% (\$196,790) of which was allocated to an internally restricted operating reserve. Maintenance of the restricted reserve will help absorb short-term declines in revenue and/or expenses fluctuations. This generally accepted practice is especially prudent for the RHRA, given the relatively short history by which to predict changes in revenue or expenses and in light of increased levels of compliance and enforcement activity.

The RHRA's enterprise risk management practices include monitoring to identify potential risks and seizing opportunities related to the achievement of its strategic objectives and any issues that could affect its financial position.

Emergency Fund

The RHRA is committed to meeting its requirements for the Emergency Fund with the provisions for claims and payments that came into force in January 2014. As a result of two abrupt closures of retirement homes in Eastern Ontario, the RHRA paid out \$36,410 from the Emergency Fund, the largest payout in a fiscal year. All AMPs and any interest collected by the organization were paid into the fund, which offset payouts to displaced residents. The Emergency Fund was fully funded at year end in accordance with the approved policy.

Management's Responsibility for Financial Reporting

The management of the RHRA is responsible for the integrity, consistency, objectivity and reliability of the Financial Statements of the RHRA and related financial information as presented. Canadian accounting standards for not-for-profit organizations have been applied, and management has exercised its judgment and made best estimates where appropriate. The RHRA's accounting system and related internal controls are designed, and supporting procedures maintained, to provide reasonable assurance that financial records are complete and accurate, and that assets are safeguarded against loss from unauthorized use or disposition.

The RHRA's Board of Directors, acting through the Finance, Audit and Human Resources Committee, which is composed entirely of independent directors, oversees management's responsibilities for financial reporting. The Finance, Audit and Human Resources Committee reviews the Financial Statements and recommends them to the Board for approval. Other responsibilities of the Finance, Audit and Human Resources Committee include monitoring the RHRA's system of internal controls over the financial reporting process and making recommendations to the Board regarding the appointment of the external auditor.

Deloitte LLP, the independent auditors, appointed by the RHRA Board, audited the RHRA's Financial Statements as of March 31, 2019, and for the year then ended. Their report, which expressed an unmodified audit opinion, can be found at the end of this Annual Report. Deloitte LLP has full and free access to, and meet periodically with, the Finance, Audit and Human Resources Committee to discuss their audit and matters arising there from, such as comments they may have on the fairness of financial reporting and the adequacy of internal controls.

Jay O'Neill
Chief Executive Officer and Registrar
Toronto, Canada
June 7, 2019

Independent Auditor's Report

To the Board of Directors of the
Retirement Homes Regulatory Authority

Opinion

We have audited the financial statements of Retirement Homes Regulatory Authority (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying 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 Opinion

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

Responsibilities of Management and Those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS 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 GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Debitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 7, 2019

Retirement Homes Regulatory Authority

Statement of financial position

As at March 31, 2019

	Notes	2019	2018
		\$	\$
Assets			
Current assets			
Cash		6,442,523	5,999,432
Short-term investments	3	360,344	300,000
Accounts receivable	2	1,161,753	978,539
Prepaid expenses		233,629	247,400
HST receivable		—	73,613
		8,198,249	7,598,984
Long-term investments	3	4,561,916	4,820,328
Emergency fund restricted cash	9	597,271	597,177
Capital assets	4	1,055,927	348,948
		14,413,363	13,365,437
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	5	954,757	675,729
Deferred revenue	6	5,573,251	5,306,685
		6,528,008	5,982,414
Deferred capital contributions		40,996	109,925
Deferred lease inducement	7	308,781	—
		6,877,785	6,092,339
Commitments and contingencies	10		
Net assets			
Unrestricted		1,251,517	1,185,921
Restricted - Emergency fund	9	597,271	597,177
Internally restricted	8	5,686,790	5,490,000
		7,535,578	7,273,098
		14,413,363	13,365,437

The accompanying notes are an integral part of the financial statements.

Approved by the Board

_____ Chair of the Board of Directors

_____ Chair of the Finance, Audit & Human Resources Committee

Retirement Homes Regulatory Authority

Statement of operations

Year ended March 31, 2019

		2019			2018		
	Notes	Operating fund	Emergency fund (Note 9)	Total	Operating fund	Emergency fund (Note 9)	Total
		\$	\$	\$	\$	\$	\$
Revenue							
Annual fees		7,185,972	—	7,185,972	6,858,813	—	6,858,813
Application fees		534,600	—	534,600	556,625	—	556,625
Other fees		14,951	—	14,951	18,732	—	18,732
Administrative monetary penalties		—	24,500	24,500	—	17,500	17,500
Investment income	3	281,374	12,004	293,378	218,699	7,646	226,345
Amortization of deferred capital contributions		68,929	—	68,929	69,369	—	69,369
		8,085,826	36,504	8,122,330	7,722,238	25,146	7,747,384
Expenses							
Salaries, wages and benefits		5,697,094	—	5,697,094	5,308,260	—	5,308,260
Operating		1,891,470	—	1,891,470	2,068,610	—	2,068,610
Amortization of capital assets		234,876	—	234,876	178,080	—	178,080
Payments from the Emergency Fund		—	36,410	36,410	—	—	—
		7,823,440	36,410	7,859,850	7,554,950	—	7,554,950
Excess of revenue over expenses		262,386	94	262,480	167,288	25,146	192,434

The accompanying notes are an integral part of the financial statements.

Retirement Homes Regulatory Authority

Statement of changes in net assets

Year ended March 31, 2019

		2019				2018			
Notes	Unrestricted	Restricted-Emergency fund (Note 9)	Internally restricted (Note 8)	Total	Unrestricted	Restricted-Emergency fund (Note 9)	Internally restricted (Note 8)	Total	
	\$	\$	\$	\$	\$	\$	\$	\$	
	1,185,921	597,177	5,490,000	7,273,098	1,143,633	572,031	5,365,000	7,080,664	
	262,386	94	—	262,480	167,288	25,146	—	192,434	
	(196,790)	—	196,790	—	(125,000)	—	125,000	—	
	1,251,517	597,271	5,686,790	7,535,578	1,185,921	597,177	5,490,000	7,273,098	

The accompanying notes are an integral part of the financial statements.

Retirement Homes Regulatory Authority

Statement of cash flows

Year ended March 31, 2019

	2019	2018
	\$	\$
Operating activities		
Excess of revenue over expenses	262,480	192,434
Items not involving cash		
Unrealized (gains) losses on investments	(19,097)	38,428
Amortization of capital assets	234,876	178,080
Amortization of deferred capital contributions	(68,929)	(69,369)
Amortization of deferred lease inducement	(10,648)	—
	398,682	339,573
Change in non-cash operating working capital		
Accounts receivable	(183,214)	(66,428)
Prepaid expenses	13,771	(64,988)
HST receivable	73,613	(36,847)
Accounts payable and accrued liabilities	279,028	(10,425)
Deferred revenue	266,566	280,185
Deferred lease inducement	319,429	—
	1,167,875	441,070
Investing activities		
Acquisition of capital assets	(941,855)	(111,992)
Purchases of investments	(82,835)	(4,520,662)
Proceeds from redemption of investments	300,000	300,000
Increase in restricted cash	(94)	(25,146)
	(724,784)	(4,357,800)
Increase (decrease) in cash	443,091	(3,916,730)
Cash, beginning of year	5,999,432	9,916,162
Cash, end of year	6,442,523	5,999,432

The accompanying notes are an integral part of the financial statements.

Retirement Homes Regulatory Authority

Notes to the financial statements

March 31, 2019

The Retirement Homes Regulatory Authority ("RHRA") is responsible for the administration and enforcement of the *Retirement Homes Act, 2010* (the "Act"). The RHRA was established as a corporation without share capital under the Act. It is subject to the Corporations Act (Ontario) and, as a not-for-profit organization under the Income Tax Act (Canada), is exempt from income tax.

The RHRA's responsibilities include the licensing of retirement homes, enforcement of the care and safety standards for residents, and educating licensees, consumers and the public on legislative requirements and standards.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations under Part III of the Chartered Professional Accountants of Canada Handbook and include the following significant accounting policies:

(a) Fund accounting

The Operating Fund accounts for RHRA's operating and administrative activities, and reports unrestricted revenues and expenses.

The Emergency Fund reports funds held in trust for the benefit of residents and former residents of retirement homes in respect of any claims relating to certain events that occur on or after January 1, 2014 if the criteria for making a claim and payment are met.

(b) Investments

RHRA's investments consist of fixed income and equity instruments. Investments are recorded at fair value on initial recognition. Subsequently, investments are valued at fair value, with unrealized gains and losses reported in the Statement of operations.

Transaction costs related to investments are expensed as incurred.

(c) Capital assets

Purchased capital assets are recorded at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

Leases that transfer substantially all the benefits and risks of ownership are capitalized.

Amortization is provided on the straight-line basis over the estimated useful lives of the assets at the following annual rates:

Equipment	25%
Computer software	50%
Computer hardware	33%
Furniture and fixtures	20%
Leasehold improvements	Remaining term of lease
Licensing system	20%

Amortization of a capital asset commences in the month after it is brought into service.

(d) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rates of exchange at the year end date. Revenue and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in the Statement of operations.

1. Significant accounting policies (continued)

(e) Deferred lease inducement

Deferred lease inducement relates to a leasehold improvement allowance and is amortized on the straight-line basis over the term of the lease.

(f) Revenue recognition

Contributions

RHRA uses the deferral method of accounting for contributions.

Contributions received for capital assets are deferred and are amortized into revenue on the same basis as the related asset is amortized.

Annual fees

Annual fees are recognized as revenue proportionately over the year to which they relate, net of amounts for which collectability is uncertain. The annual fee is due on the first day of the calendar year. Annual fees that are remitted quarterly are subject to a finance fee that is deferred and recognized over the periods to which the deferral relates.

Application fees

Application fees are recognized upon receipt of a completed application and after a preliminary assessment of the application has been performed.

Investment income

Investment income is recognized as revenue when earned and is recorded on the accrual basis, and includes interest and dividend income as well as realized and unrealized gains and losses.

(g) Financial instruments

Financial instruments are financial assets or liabilities of RHRA which, in general, provide RHRA the right to receive cash or another financial asset from another party or require RHRA to pay another party cash or other financial assets.

Financial assets and financial liabilities are initially recognized at fair value when RHRA becomes a party to the contractual provisions of the financial instrument. Subsequently, all financial instruments are measured at amortized cost, with the exception of investments which are measured at fair value.

The fair value of RHRA's cash, accounts receivable, and accounts payable and accrued liabilities approximate their carrying values.

(h) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities as well as disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Balances subject to estimation relate primarily to certain accrued liabilities, allowance for doubtful accounts, deferred revenue, as well as the useful lives of the various categories of capital assets. Actual results could differ from such estimates.

Retirement Homes Regulatory Authority

Notes to the financial statements

March 31, 2019

2. Accounts receivable

	2019	2018
	\$	\$
Accounts receivable	1,147,171	967,114
Interest receivable	14,582	11,425
	1,161,753	978,539

Accounts receivable are net of an allowance for doubtful accounts of nil (nil in 2018).

3. Investments

RHRA's investment decisions are made in line with an Investment Policy approved by the Board. Investments consist of cash held in the investment portfolio account, fixed income and equity instruments.

	2019	2018
	\$	\$
Short-term investments		
Fixed income	360,344	300,000
Long-term investments		
Cash in investment account	3,587	3,355
Fixed income	1,916,546	2,466,117
Preferred shares	236,638	214,133
Common shares	1,206,747	1,130,817
Mutual funds	971,624	817,548
Foreign securities	226,774	188,358
	4,561,916	4,820,328
	4,922,260	5,120,328

The composition of investment income for the year is as follows:

	2019	2018
	\$	\$
Interest and dividends	274,281	264,773
Unrealized gains (losses) during the year	19,097	(38,428)
	293,378	226,345

Retirement Homes Regulatory Authority

Notes to the financial statements

March 31, 2019

4. Capital assets

	2019			2018
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Equipment	41,858	11,092	30,766	903
Computer software	104,533	78,897	25,636	65,185
Computer hardware	316,677	139,764	176,913	10,667
Furniture and fixtures	134,295	103,129	31,166	35,854
Leasehold improvements	681,537	22,718	658,819	—
Licensing system	583,642	451,015	132,627	236,339
	1,862,542	806,615	1,055,927	348,948

During the year, RHRA disposed of fully depreciated capital assets with an original cost of \$162,771 (nil in 2018).

5. Government remittances

As at March 31, 2019, RHRA had government remittances payable of \$32,255 (\$19,645 in 2018) which is included in accounts payable and accrued liabilities.

6. Deferred revenue

Annual fees received that relate to periods after the fiscal year end date are deferred.

The balance in deferred revenue is as follows:

	2019	2018
	\$	\$
Deferred revenue, beginning of year	5,306,685	5,026,500
Add:		
Annual fees	7,452,538	7,138,998
	12,759,223	12,165,498
Less: amounts recognized as revenue during the year	7,185,972	6,858,813
Deferred revenue, end of year	5,573,251	5,306,685

7. Deferred lease inducement

During the year ended March 31, 2019, RHRA received a leasehold improvement allowance from the landlord for the renovation of the leased office premises. The inducement received during the year was \$319,429 and is being amortized on the straight-line basis over the term of the lease. Accumulated amortization amounted to \$10,648 as at March 31, 2019 (nil in 2018).

8. Internally restricted net assets

RHRA created an operating reserve for operating expenses for the purposes of accumulating funds that are available when needed due to unforeseen operating shortfalls.

The Board approved a policy for sustaining an operating reserve equal to twelve months of the annual operating budget, and a process for allocation from unrestricted net assets.

Retirement Homes Regulatory Authority

Notes to the financial statements

March 31, 2019

9. Emergency Fund

The Emergency Fund was established in 2013 pursuant to the Act. Funds are held in trust for the benefit of residents and former residents of retirement homes in respect of any claims relating to certain events that occur on or after January 1, 2014, if the criteria for making a claim and payment are met. All administrative monetary penalties collected by RHRA must be paid into the Emergency Fund pursuant to the Act. The transactions and balance in the Emergency Fund are as follows:

	2019	2018
	\$	\$
Opening balance	597,177	572,031
Administrative monetary penalties	24,500	17,500
Interest income	12,004	7,646
	<u>633,681</u>	597,177
Less: claims/payments made	36,410	—
Closing balance	<u>597,271</u>	597,177

10. Commitments and contingencies

Lease obligations

On June 1, 2018, RHRA entered into a lease for office space expiring on November 30, 2028. Future payments relating to leased office premises, for each of the next five years and thereafter, are as follows:

	\$
2020	397,209
2021	397,209
2022	399,974
2023	405,362
2024	408,057
2025 and thereafter	1,953,661
Total minimum lease payments	<u>3,961,472</u>

11. Risk management

The investments held by RHRA are exposed to a variety of financial risks. RHRA seeks to minimize the potential adverse effects of these risks by regularly monitoring the investment's position, market events and the diversity of the investment portfolio within the constraints of RHRA's Investment Policies.

Significant risks that are relevant to RHRA's investments are as follows:

Financial risk management

RHRA is subject to market and interest rate risks with respect to its long-term investments, and interest rate risk with respect to its short-term investments.

11. Risk management (continued)

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose RHRA to the risk of loss.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by RHRA.

To manage its market and interest rate risks, RHRA has established investment policies which include target mix of investment types and concentration limits designed to achieve the optimum return within reasonable risk tolerances.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. RHRA is subject to credit risk with respect to its accounts receivable. The balance of accounts receivable on the statement of financial position represents RHRA's maximum exposure at March 31, 2019. RHRA manages this risk through proactive collection policies.

Financial liabilities

Liquidity risk

RHRA's objective is to have sufficient liquidity to meet its liabilities when due. RHRA monitors its cash balances and cash flows generated from operations to meet its requirements.

As at March 31, 2019, the most significant financial liability is accounts payable and accrued liabilities and it is management's opinion that RHRA is not in default of any terms of its financial liabilities.

12. Indemnification of directors

RHRA has indemnified its past, present and future directors against expenses (including legal expenses), judgments and any amount actually or reasonably incurred by them in connection with any action, suit or proceeding in which the directors are sued as a result of their service, if they acted honestly and in good faith with a view to the best interest of RHRA. The nature of the indemnity prevents RHRA from reasonably estimating the maximum exposure. RHRA has purchased directors' liability insurance with respect to this indemnification. The directors of the RHRA are not aware of any threatened or actual proceedings.