Non-Consolidated Financial Statements of

EAST NIPISSING DISTRICT HOME FOR THE AGED

Year ended December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of East Nipissing District Home for the Aged

We have audited the accompanying non-consolidated financial statements of East Nipissing District Home for the Aged, which comprise the non-consolidated statement of financial position as at December 31, 2013, the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the non-consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the non-consolidated financial statements.

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

KPMG

Basis of Qualified Opinion

Capital expenditures which are not financed by debt have been expensed, contributions received for the purchase of capital assets have been recognized as revenue, amortization of capital assets financed by debt have been amortized at an amount equal to the principal repayment of the related debt, as at and for the years ended December 31, 2013 and 2012, which constitutes a departure from the requirements of Canadian public sector accounting standards. In the statement of financial position as at December 31, 2013 and 2012, capital assets should be increased by $1,353,458 and $1,811,736, respectively; deferred capital contributions should be increased by $493,362 and $901,953, respectively; and net assets should be increased by $860,096 and $909,783, respectively. In the statement of operations for the years ended December 31, 2013 and 2012, revenue should be increased by $408,591 in each year, expenses should be increased by $458,278 in 2013 and decreased by $20,032 in 2012 and excess of revenue over expenses should be decreased by $49,687 in 2013 and increased by $428,623 in 2012. In the statement of cash flows for the years ended December 31, 2013 and 2012, cash flows from operating activities should be increased by $53,890 and $521,930, respectively and cash flows from capital activities should be decreased by $53,890 and $521,930, respectively.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of East Nipissing District Home for the Aged as at December 31, 2013 and its non-consolidated results of operations and its non-consolidated cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 23, 2014
North Bay, Canada

EAST NIPISSING DISTRICT HOME FOR THE AGED
Non-Consolidated Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash	$ 1,722,790	$ 1,112,901
Short-term investments (note 2)	46,316	45,743
Receivables (note 3)	629,412	321,089
Prepaid expenses	30,037	5,001
Due from related party (note 4)	140,672	66,798
	2,569,227	1,551,532
Assets under construction (note 5)	2,555,365	2,540,359
	$ 5,124,592	$ 4,091,891
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,695,689	$ 1,130,147
Sick leave credits payable (note 6)	345,795	352,943
Deferred revenue	73,600	-
	2,115,084	1,483,090
Net assets:		
Unrestricted (deficiency)	354,143	(31,558)
Internally restricted - invested in capital assets	2,555,365	2,540,359
Internally restricted	100,000	100,000
	3,009,508	2,608,801
	$ 5,124,592	$ 4,091,891

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

_______________ Director

G.H. [illegible] Director

EAST NIPISSING DISTRICT HOME FOR THE AGED

Non-Consolidated Statement of Operations

Year ended December 31, 2013, with comparative information for 2012

	2013 Budget	2013 Actual	2012 Actual
Revenues:			
Province of Ontario grants	$ 10,908,553	$ 10,642,025	$ 10,461,119
Residents	4,265,470	4,334,232	4,262,905
Municipal levies	3,081,120	3,067,580	3,008,895
Castle Arms non-profit seniors apartments	69,553	86,056	83,330
Catering	-	116,905	113,585
Tuck shop	-	56,911	49,647
Other income	-	41,473	34,600
	18,324,696	18,345,182	18,014,081
Expenditures:			
Residents' medical and nursing	10,790,655	10,041,770	9,761,315
Dietary	2,561,954	2,668,911	2,562,585
General and administrative	1,372,631	1,173,788	1,542,430
Housekeeping	1,191,269	1,262,681	1,196,061
Building and property	1,151,070	1,076,815	1,038,070
Residents' social services, activities and comfort	755,785	776,667	759,217
Laundry and linen	501,332	468,358	466,445
Behavioural Supports Ontario	-	287,775	133,605
Catering	-	94,002	94,667
Tuck shop	-	56,915	46,304
Bad debts	-	20,290	19,759
Castle Arms non-profit seniors apartments	-	16,503	33,419
	18,324,696	17,944,475	17,653,877
Excess of revenues over expenditures	$ -	$ 400,707	$ 360,204

See accompanying notes to non-consolidated financial statements.

EAST NIPISSING DISTRICT HOME FOR THE AGED

Non-Consolidated Statement of Changes in Net Assets

Year ended December 31, 2013, with comparative information for 2012

		Unrestricted (deficiency)	Internally restricted - investment in capital assets	Internally restricted	2013	2012
			(note 7)			
Balance, beginning of year	$	(31,558)	2,540,359	100,000	2,608,801	2,248,597
Excess of revenue over expenditures		400,707	-	-	400,707	360,204
Net change in investment in capital assets		(15,006)	15,006	-	-	-
Balance, end of year	$	354,143	2,555,365	100,000	3,009,508	2,608,801

See accompanying notes to non-consolidated financial statements.

EAST NIPISSING DISTRICT HOME FOR THE AGED

Non-Consolidated Statement of Cash Flows

Year ended December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Excess of revenues over expenditures	$ 400,707	$ 360,204
Change in non-cash operating working capital:		
Increase in short-term investments	(573)	(564)
(Increase) decrease in receivables	(308,323)	158,088
(Increase) decrease in prepaid expenses	(25,036)	17,786
Increase (decrease) in accounts payable and accrued liabilities	565,542	(205,945)
(Decrease) increase in sick leave credits payable	(7,148)	54,493
Increase in deferred revenue	73,600	-
Decrease in advances to related party	(73,874)	(241,538)
	624,895	142,524
Capital:		
Purchase of assets under construction	(15,006)	(592,314)
Increase (decrease) in cash	609,889	(449,790)
Cash, beginning of year	1,112,901	1,562,691
Cash, end of year	$ 1,722,790	$ 1,112,901

See accompanying notes to non-consolidated financial statements.

Nature of operations:

East Nipissing District Home for the Aged (the "Home") is a non-profit Home incorporated in the Province of Ontario under the Homes for the Aged and Rest Homes Act and provides accommodation, activity programs and medical services to the elderly in North Bay, Ontario. The Home is exempt from income taxes under the Income Tax Act.

The participating municipalities are as follows:

The Corporation of the City of North Bay
Town of West Nipissing
Township of East Ferris
Township of South Algonquin
Township of Bonfield
Township of Calvin
Township of Papineau-Cameron
Town of Mattawa
Township of Chisolm
Township of Mattawan

1. Significant accounting policies:

These non-consolidated financial statements are prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. A statement of remeasurement gains and losses has not been included as there are no matters to report to report therein. The Home's significant accounting policies are as follows:

(a) Revenue recognition:

The Home follows the deferral method of accounting for contributions which include donations and government grants. Grants for programs comes from the Province of Ontario, primarily in accordance with signed service contracts and is recorded as revenue in the period to which the grants relate. Grants approved but not received at the end of the period are accrued. Any excess funding is recorded in the period of repayment.

Contributions restricted for the purchase of capital assets are recorded as revenue in the statement of operations.

Residents, catering, tuck shop and interest revenue is recognized when earned.

Municipal levies are recognized as revenue in the period they are levied.

1. Significant accounting policies (continued):

(b) Capital expenditures:

Capital assets are purchased from operating funds are expensed rather than being capitalized over their estimated useful life.

Capital assets purchased from proceeds of debt financing are stated at cost. Amortization is provided at a rate equal to the annual principal repayment of the debt financing.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record all investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the non-consolidated statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the non-consolidated statement of operations.

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the non-consolidated statement of operations.

Long-term debt is recorded at cost. The related interest rate swaps are recorded at fair value.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

(d) Employee future benefits:

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Home has insufficient information to apply defined benefit plan accounting.

(e) Controlled organization:

The Home has chosen to disclose financial information for its controlled organization as opposed to full consolidation.

These non-consolidated financial statements do not reflect the assets, liabilities, revenues, expenses and net assets of the Home's controlled organizations which included: Castle Arms Non Profit Corporation, Board of Management of Cassellholme and the Community Support Program. Separate financial statements for these entities are available.

1. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of the financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include provisions for impairment of receivables and accumulated sick time credits. Actual results could differ from those estimates.

2. Short-term investments:

	Level	2013	2012
TD GIC	2	$ 46,316	$ 45,743

The GIC has an interest rate of 1.25% (2012 - 1.25%) and matures in 2014.

3. Receivables:

	2013	2012
Ministry of Health	$ 302,396	$ 65,229
Residents	144,223	155,785
Other	115,888	46,043
Government Sales Tax Rebate	93,813	124,445
Municipal Levy	36,786	-
Castle Arms	20,657	7,229
	713,763	398,731
Allowance for doubtful accounts	(84,351)	(77,642)
	$ 629,412	$ 321,089

4. Due from related party and related company transactions:

The Home received management fees of $86,056 (2012 - $83,330) from a controlled non-profit organization, Castle Arms Non-Profit Apartment Corporation ("Castle Arms"). During the year, the Home incurred administration costs related to Castle Arms of $16,503 (2012 - $33,419).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Assets under construction:

The Home is in the initial stages of planning the redevelopment of its facility. The existing facility will undergo a major transformation to include modern design standards. The project will consist of two phases of construction with an undetermined start date and occupancy date. To date, the Home has spent $2,555,365 (2012 - $2,540,359) for initial planning and architect fees. The preliminary budget for the 240 bed redevelopment is estimated at $53,000,000.

6. Employee future benefits:

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment on retirement.

Employees in a specific union are credited with 144 hours per year for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to a maximum of 2400 hours. Accumulated credits may be used in future years if the employee's illness or injury exceeds the annual allocation of credits.

The Home makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. During the year the Home contributed $871,312 (2012 - $796,620) to the plan.

7. Internally restricted - investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2013	2012
Assets under construction	$ 2,555,365	$ 2,540,359

(b) Change in net assets invested in capital assets is calculated as follows:

	2013	2012
Purchase of assets under construction	$ 15,006	$ 592,314

8. Non-consolidated Controlled Not-for-Profit Organizations:

(a) Board of Management of Cassellholme, Home for the Aged for the District of Nipissing:

The Home is the beneficial owner of the net assets of the Board of Management of Cassellholme, Home for the Aged for the District of East Nipissing, a registered charity.

A summary of the financial statements for this non-consolidated entity as at December 31 is as follows:

	2013	2012
Assets	$ 137,568	$ 128,363
Liabilities	1,500	1,500
Net assets	$ 136,068	$ 126,863
Revenue	$ 9,205	$ 16,126
Expenses	-	1,356
Excess of revenue over expenses	$ 9,205	$ 14,770

8. Non-consolidated Controlled Not-for-Profit Organizations (continued):

(b) Community Support Services Program:

The Home operates the Community Support Services Program which is funded separately by the Ministry of Health and Long-Term Care. It's primary purpose is to provide activities which are aimed at helping senior citizens in the North Bay community.

Amounts reported on the non-consolidated statement of financial position as Due to Community Support Services Program, represent the net assets of the program as at December 31, 2013 and 2012.

A summary of the financial statements for this non-consolidated entity as at March 31 is as follows:

	2013	2012
Assets	$ 22,809	$ 257,551
Liabilities	46,680	281,021
Net assets (deficiency)	$ (23,871)	$ (23,470)
Revenue	1,870,923	1,798,048
Expenses	1,871,324	1,800,068
Excess (deficiency) of revenue over expenses	$ (401)	$ (2,020)

8. Non-consolidated Controlled Not-for-Profit Organizations (continued):

(c) Castle Arms Non-Profit Corporation:

The Board of Directors of the Home control Castle Arms as the Board of Directors of the Home has majority representation on the Board Directors of Castle Arms. Castle Arms is incorporated without share capital under the laws of the Province of Ontario as a non-profit organization and its primarily purpose is to provide housing to senior citizens on a rent-geared-to-income basis.

A summary of the financial statement of this non-consolidated entity as at December 31 is as follows:

	2013	2012
Assets	$ 18,351,956	$ 18,938,866
Liabilities	17,123,955	17,696,777
	$ 1,228,001	$ 1,242,089
Revenue	$ 2,803,922	$ 2,802,687
Expenses	2,566,976	2,591,225
Excess of revenue over expenses	$ 236,946	$ 211,462
Cash flow provided by (used for) the following activities:		
Operating	$ 395,551	$ 750,036
Financing and investing	(453,354)	(518,069)
	$ (57,803)	$ 231,967

Restrictions on the resources of Castle Arms are as follows:

Under the terms of an agreement with the Ministry of Municipal Affairs and Housing, a capital reserve fund in the amount of $800,908 (2012 - $863,890) is maintained to finance approved capital replacements.

9. Trust funds:

At December 31, 2013, the Home held funds in trust on behalf of clients amounting to approximately $66,511 (2012 - $48,051) which are not included in these non-consolidated financial statements.

10. Available credit facility:

The Home has a credit facility with TD Canada Trust bearing interest at the bank's prime rate less 0.5%. The authorized limit is $750,000 (2012 - $750,000) and is secured by a general floating charge over the Home's assets. As at December 31, 2013, no funds were drawn against this credit facility (2012 - $Nil).

11. Financial risks and concentration of risk:

Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest rate, currency or credit risks.

Concentration of risk:

(a) Limited counterparties:

A substantial portion of the Home's revenue is dependent upon grants from the Ministry of Health. This one funder accounted for 58% of revenue (2012 - 58%). The loss of this funder would have a significant impact on the Home's revenue and operations.