

Non-Consolidated Financial Statements of

**EAST NIPISSING DISTRICT  
HOME FOR THE AGED**

Year ended December 31, 2014



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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, 2014, 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.



*Basis for 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 year ended December 31, 2014, which constitutes a departure from the requirements of Canadian public sector accounting standards. In the statement of financial position as at December 31, 2014, capital assets should be increased by \$841,304, deferred capital contributions should be increased by \$695,909, and net assets should be increased by \$145,395. In the statement of operations for the year ended December 31, 2014, revenue should be increased by \$542,844, expenses should be increased by \$512,154, and excess of revenue over expenses should be increased by \$30,681.

*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, 2014 and its non-consolidated results of operations and its non-consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

April 16, 2015  
North Bay, Canada

# EAST NIPISSING DISTRICT HOME FOR THE AGED

## Non-Consolidated Statement of Financial Position

December 31, 2014, with comparative information for 2013

	2014	2013
<b>Assets</b>		
Current assets:		
Cash	\$ 2,887,427	\$ 1,722,790
Short-term investments (note 2)	46,895	46,316
Receivables (note 3)	223,659	629,412
Prepaid expenses	10,546	30,037
Due from related party (note 4)	-	140,672
	<u>3,168,527</u>	<u>2,569,227</u>
Assets under construction (note 5)	2,555,365	2,555,365
	<u>\$ 5,723,892</u>	<u>\$ 5,124,592</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,652,979	\$ 1,695,689
Sick leave credits payable (note 6)	329,327	345,795
Deferred revenue	-	73,600
Due to related party (note 4)	5,272	-
	<u>1,987,578</u>	<u>2,115,084</u>
Net assets:		
Unrestricted	630,949	354,143
Internally restricted - invested in capital assets	2,555,365	2,555,365
Internally restricted	550,000	100,000
	<u>3,736,314</u>	<u>3,009,508</u>
Commitment (note 9)		
	<u>\$ 5,723,892</u>	<u>\$ 5,124,592</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# EAST NIPISSING DISTRICT HOME FOR THE AGED

## Non-Consolidated Statement of Operations

Year ended December 31, 2014, with comparative information for 2013

	2014 Budget	2014 Actual	2013 Actual
<b>Revenues:</b>			
Province of Ontario grants	\$ 10,886,403	\$ 10,887,982	\$ 10,642,025
Residents	4,354,690	4,441,701	4,334,232
Municipal levies	3,096,722	3,113,302	3,067,580
Castle Arms non-profit seniors apartments	71,900	89,200	86,056
Catering	-	110,049	116,905
Tuck shop	-	57,508	56,911
Other income	-	39,433	41,473
	18,409,715	18,739,175	18,345,182
<b>Expenses:</b>			
Residents' medical and nursing	10,794,041	10,041,481	10,041,770
Dietary	2,610,304	2,697,065	2,668,911
Building and property	1,177,737	1,273,084	1,076,815
Housekeeping	1,207,458	1,200,247	1,262,681
Residents' social services, activities and comfort	801,061	1,004,324	776,667
General and administrative	1,307,966	839,123	1,173,788
Laundry and linen	511,148	466,369	468,358
Behavioural Supports Ontario	-	290,195	287,775
Catering	-	94,427	94,002
Tuck shop	-	55,218	56,915
Bad debts	-	34,168	20,290
Castle Arms non-profit seniors apartments	-	16,668	16,503
	18,409,715	18,012,369	17,944,475
<b>Excess of revenues over expenses</b>	<b>\$ -</b>	<b>\$ 726,806</b>	<b>\$ 400,707</b>

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, 2014, with comparative information for 2013

	Unrestricted (deficiency)	Internally restricted - investment in capital assets (note 7)	Internally restricted	2014	2013
Balance, beginning of year	\$ 354,143	2,555,365	100,000	3,009,508	2,608,801
Excess of revenue over expenses	726,806	-	-	726,806	400,707
Transfers	(450,000)		450,000	-	
Net change in investment in capital assets	-	-	-	-	-
<b>Balance, end of year</b>	<b>\$ 630,949</b>	<b>2,555,365</b>	<b>550,000</b>	<b>3,736,314</b>	<b>3,009,508</b>

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, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses	\$ 726,806	\$ 400,707
Change in non-cash operating working capital:		
Decrease (increase) in receivables	405,753	(308,323)
Decrease (increase) in prepaid expenses	19,491	(25,036)
(Decrease) increase in accounts payable and accrued liabilities	(42,710)	565,542
Decrease in sick leave credits payable	(16,468)	(7,148)
(Decrease) increase in deferred revenue	(73,600)	73,600
	1,019,272	699,342
Capital:		
Purchase of assets under construction	-	(15,006)
Investing:		
Increase in short-term investments	(579)	(573)
Decrease (increase) in advances to related party	145,944	(73,874)
Increase in cash	1,164,637	609,889
Cash, beginning of year	1,722,790	1,112,901
Cash, end of year	\$ 2,887,427	\$ 1,722,790

See accompanying notes to non-consolidated financial statements.

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements

Year ended December 31, 2014

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## **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.



# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 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.

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 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.

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 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	2014	2013
TD GIC	2	\$ 46,895	\$ 46,316

The GIC has an interest rate of 1.25% (2013 - 1.25%) and matures in 2015.

## 3. Receivables:

	2014	2013
Residents	\$ 183,174	\$ 144,223
Government Sales Tax Rebate	106,353	93,813
Other	35,223	115,888
Castle Arms	17,429	20,657
Municipal Levy	-	36,786
Ministry of Health and Long-Term Care	-	302,396
	342,179	713,763
Less allowance for doubtful accounts	(118,520)	(84,351)
	\$ 223,659	\$ 629,412

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 4. Due from/to related party and related party transactions:

The Home received management fees of \$89,200 (2013 - \$86,056) 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 \$16,668 (2013 - \$16,503).

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 (2013 - \$2,555,365) 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 \$930,955 (2013 - \$871,312) to the plan.

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 7. Internally restricted - investment in capital assets:

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

	2014	2013
Assets under construction	\$ 2,555,365	\$ 2,555,365

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

	2014	2013
Purchase of assets under construction	\$ -	\$ 15,006

## 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:

	2014	2013
Assets	\$ 133,258	\$ 137,568
Liabilities	1,500	1,500
Net assets	\$ 131,758	\$ 136,068
Revenue	\$ 33,731	\$ 9,205
Expenses	38,041	-
Excess (deficiency) of revenue over expenses	\$ (4,310)	\$ 9,205

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 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 (from) Community Support Services Program, represent the net assets of the program as at December 31, 2014 and 2013.

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

	2014	2013
Assets	\$ 15,872	\$ 22,809
Liabilities	40,320	46,680
Net asset deficiency	\$ (24,448)	\$ (23,871)
Revenue	1,987,925	1,870,923
Expenses	1,988,502	1,871,324
Excess (deficiency) of revenue over expenses	\$ (577)	\$ (401)

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

## 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 primary 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:

	2014	2013
Assets	\$ 17,760,672	\$ 18,351,956
Liabilities	16,471,042	17,123,955
	<u>\$ 1,289,630</u>	<u>\$ 1,228,001</u>
Revenue	\$ 2,767,037	\$ 2,803,640
Expenses	2,629,648	2,566,976
Excess of revenue over expenses	<u>\$ 137,389</u>	<u>\$ 236,664</u>

Cash flow provided by (used for) the following activities:

Operating	\$ 585,888	\$ 395,551
Financing and investing	(525,342)	(453,354)
	<u>\$ 60,546</u>	<u>\$ (57,803)</u>

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 \$873,543 (2013 - \$800,908) is maintained to finance approved capital replacements.

## 9. Commitment:

During the year, the Home entered into a contractual obligation for future roofing repairs, expected to be complete during 2015. The estimated amount of the commitment is \$450,000. These costs, when incurred, are to be funded through internally restricted net assets.

# EAST NIPISSING DISTRICT HOME FOR THE AGED

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2014

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## 10. Trust funds:

At December 31, 2014, the Home held funds in trust on behalf of clients amounting to approximately \$56,100 (2013 - \$66,511) which are not included in these non-consolidated financial statements.

## 11. 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 (2013 - \$750,000) and is secured by a general floating charge over the Home's assets. As at December 31, 2014, no funds were drawn against this credit facility (2013 - \$Nil).

## 12. 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 (2013 - 58%). The loss of this funder would have a significant impact on the Home's revenue and operations.