

East Nipissing District Home for the Aged
Non-consolidated
Financial Statements
For the year ended December 31, 2018

East Nipissing District Home for the Aged
Non-consolidated Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

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

Opinion

We have audited the non-consolidated financial statements of East Nipissing District Home for the Aged, which comprise the non-consolidated financial position as at December 31, 2018, the non-consolidated statements of operations, non-consolidated changes in net assets and non-consolidated cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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, 2018, and its non-consolidated results of operations and cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements section of our report. We are independent of East Nipissing District Home for the Aged in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1, which describes the basis of accounting. The financial statements are prepared to assist East Nipissing District Home for the Aged to comply with the reporting provisions established by the Ministry of Health and Long-Term Care referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors of East Nipissing District Home for the Aged and the Ministry of Health and Long-Term Care and should not be used by parties other than the Directors of East Nipissing District Home for the Aged and the Ministry of Health and Long-Term Care.

Responsibilities of Management and Those Charged with Governance for the Non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with the basis of accounting described in Note 1, 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.

In preparing the non-consolidated financial statements, management is responsible for assessing East Nipissing District Home for the Aged'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 East Nipissing District Home for the Aged or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Nipissing District Home for the Aged'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 East Nipissing District Home for the Aged'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 non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause East Nipissing District Home for the Aged to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
April 25, 2019

East Nipissing District Home for the Aged

Non-consolidated Statement of Financial Position

December 31	2018	2017
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Assets

Current

Cash and cash equivalents	\$ 2,750,152	\$ 2,911,041
Short-term investments (Note 2)	-	48,127
Accounts receivable (net of allowance of \$204,981) (Note 6)	354,410	400,666
Prepaid expenses	22,610	15,793

	3,127,172	3,375,627
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Capital assets (Note 3)

	3,225,273	3,065,646
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	\$ 6,352,445	\$ 6,441,273
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Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$ 1,399,707	\$ 1,770,305
Employee future benefits (Note 5)	400,373	384,096

	1,800,080	2,154,401
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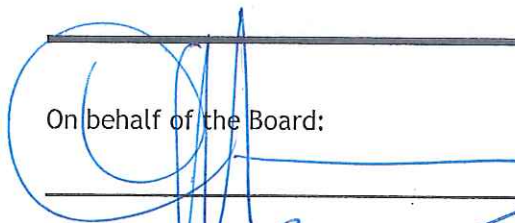

Net Assets

Unrestricted fund	1,227,092	1,121,226
Internally restricted	100,000	100,000
Internally restricted - invested in capital assets	3,225,273	3,065,646

	4,552,365	4,286,872
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	\$ 6,352,445	\$ 6,441,273
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On behalf of the Board:

	Director
	Director

East Nipissing District Home for the Aged

Non-consolidated Statement of Operations

For the year ended December 31	2018 Budget	2018 Actual	2017 Actual
Revenues			
Province of Ontario grants	\$ 11,512,217	\$ 13,832,448	\$ 13,559,152
Residents	4,632,477	4,647,192	4,618,803
Municipal levies	3,215,887	3,215,886	3,168,362
Catering	-	106,933	104,562
Management fee (Note 6)	104,620	104,619	188,120
Tuck shop	-	53,775	55,756
Other	-	146,602	98,650
	<u>19,465,201</u>	<u>22,107,455</u>	<u>21,793,405</u>
Expenses			
Residents' medical and nursing	11,400,860	11,147,694	10,478,744
Dietary	2,721,005	2,740,641	2,845,529
Community Support Services program	-	2,140,461	2,082,524
General and administrative (Note 6)	1,348,244	1,385,147	1,416,155
Housekeeping	1,302,388	1,334,302	1,182,200
Building and property	1,376,145	1,103,767	1,111,895
Residents' social services, activities and comforts	856,466	1,063,407	1,043,030
Laundry and linen	546,623	466,054	491,015
Behavioural Supports Ontario	-	290,368	237,092
Catering	-	97,107	94,622
Tuck shop	-	45,459	41,834
Bad debts	-	27,555	23,286
	<u>19,551,731</u>	<u>21,841,962</u>	<u>21,047,926</u>
Excess of revenues over expenses for the year	<u>\$ (86,530)</u>	<u>\$ 265,493</u>	<u>\$ 745,479</u>

East Nipissing District Home for the Aged
Non-consolidated Statement of Changes in Net Assets

For the year ended December 31				2018	2017
	Invested in capital assets (Note 3)	Internally Restricted fund	Unrestricted fund	Total	Total
Balance, beginning of year	\$ 3,065,646	\$ 100,000	\$ 1,121,226	\$ 4,286,872	\$ 3,541,393
Excess of revenues over expenses for the year	-	-	265,493	265,493	745,479
Transfer	159,627	-	(159,627)	-	-
Balance, end of year	\$ 3,225,273	\$ 100,000	\$ 1,227,092	\$ 4,552,365	\$ 4,286,872

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

East Nipissing District Home for the Aged

Non-consolidated Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 265,493	\$ 745,479
Changes in non-cash working capital balances		
Short-term investments	48,127	(406)
Accounts receivable	46,256	(167,686)
Prepaid expenses	(6,817)	4,597
Accounts payable and accrued liabilities	(370,598)	(885,235)
Employee future benefits	16,277	(11,683)
	(1,262)	(314,934)
Investing activities		
Increase in assets under construction	(159,627)	(471,767)
Decrease in cash and cash equivalents during the year	(160,889)	(786,701)
Cash and cash equivalents, beginning of year	2,911,041	3,697,742
Cash and cash equivalents, end of year	\$ 2,750,152	\$ 2,911,041

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

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

Participating Municipalities The participating municipalities are:

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

Basis of Accounting The non-consolidated financial statements have been prepared in accordance with accounting principles prescribed by the Ministry of Health and Long-Term Care and are considered appropriate for government controlled not-for-profit organizations of this nature. The basis of accounting used in these financial statements may materially differ from Canadian public sector accounting standards including the PS 4200 Series of sections for government controlled not-for-profit organizations.

**Capital Assets
and Capital Grants**

Capital assets purchased from operating funds are expensed to operations rather than being capitalized over their estimated useful lives. The corresponding grants are also included in revenue rather than being deferred and amortized over their estimated useful lives.

Capital assets purchased from proceeds of debenture debt financing are capitalized and amortized at a rate equal to the annual principal repayment on the debenture.

Assets under construction are capitalized as expenditures are incurred and no amortization is recorded until assets are ready for use.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

The Home follows the deferral method of accounting for contributions. Funding 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 they relate. Funding approved but not received at the end of an accounting period is recognized in the period of receipt. Any excess funding is recorded in the period of repayment.

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

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

Pension Plans

The Home is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Home has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Home records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

East Nipissing District Home for the Aged

Notes to Non-consolidated Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable and accounts payable are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Use of Estimates

The preparation of the non-consolidated financial statements in conformity with Canadian generally accepted accounting principles 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 dates of the non-consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Accounts receivable are reported based on amounts expected to be recovered and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Actual results could differ from those estimates.

East Nipissing District Home for the Aged

Notes to Non-consolidated Financial Statements

December 31, 2018

2. Short-term Investments

	2018	2017
Term deposit	\$ -	\$ 48,127

The term deposit matured during the year.

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 966,801	\$ 966,801	\$ -	\$ -
Buildings	11,875,233	11,875,233	-	-
Machinery and equipment	423,854	423,854	-	-
Furniture and fixtures	109,831	109,831	-	-
Assets under construction (i)	3,225,273	-	3,225,273	3,065,646
	\$ 16,600,992	\$ 13,375,719	\$ 3,225,273	\$ 3,065,646

(i) The Home is in the initial stages of planning the redevelopment of the building. 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 and occupancy date. To date, the Home has spent \$3,225,273 for initial planning and architect fees which is included in capital assets. The preliminary budget for the 240 bed redevelopment is estimated at \$53 million.

4. Credit Facilities

The Home has an authorized credit limit of \$750,000. The line of credit is unsecured and bears interest at the bank's prime rate less 0.5%. At year end, the line of credit was unused.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2018

5. Employee Future Benefits

Employee future benefits consist of accumulated unused sick leave for certain employee groups.

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 2,400 hours. Accumulated credits may be used in future years if the employee's illness or injury exceeds the annual allocation of credits. Hours accumulated must be paid upon employee retirement when the employee has 7 years of service to the Home.

6. Related Party Transactions

The Home receives management fees of \$104,619 (2017 - \$188,120) from a controlled non-profit organization, Castle Arms Non-Profit Apartment Corporation ("Castle Arms"). Included in accounts receivable at year end is \$58,637 receivable from Castle Arms. During the year the Home incurred administrative costs paid to Castle Arms totaling \$NIL (2017 - \$53,301) which are included in general and administrative expenses.

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

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2018

7. Pension Plans

The Home makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of 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. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 482,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2018. The results of this valuation disclosed total going concern actuarial liabilities of \$100,081 million in respect of benefits accrued for service with actuarial assets at that date of \$95,890 million indicating a going concern actuarial deficit of \$4,191 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Home does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Home to OMERS for the year were \$996,494 (2017 - \$1,059,894)

8. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Home is exposed to credit risk through its cash and cash equivalents and accounts receivable. The Home maintains cash and cash equivalents with its financial institution in excess of federally insured limits and is therefore exposed to risk from the concentration of cash and cash equivalents.

The Home measures its exposure to credit risk based on the amount of cash and cash equivalents held at financial institutions over the federally insured amount, and the balance of long outstanding accounts receivables.

The Home's maximum exposure to credit risk at the financial statement date is the carrying value of its cash and cash receivable and accounts receivable as presented on the statement of financial position.

There have not been any changes from the prior year in the Home's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2018

9. Non-consolidated Controlled Not-for-Profit Organizations

a. Castle Arms Non Profit Corporation

The Board of Directors of the Home controls Castle Arms as the Board of Directors of the Home has majority representation on the Board of 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.

Castle Arms has not been consolidated in the Home's non-consolidated financial statements. Financial statements for Castle Arms are available on request. A summary of the financial statements of this unconsolidated entity as at December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Assets	\$ 15,169,474	\$ 15,770,953
Liabilities	<u>13,431,083</u>	<u>14,250,881</u>
Net Assets	<u>\$ 1,738,391</u>	<u>\$ 1,520,072</u>
Revenues	\$ 3,026,387	\$ 3,007,420
Expenses	<u>2,951,563</u>	<u>2,969,387</u>
Excess of revenues over expenses	<u>\$ 74,824</u>	<u>\$ 38,033</u>
Cash flow provided by (used for):		
Operating activities	\$ 741,656	\$ 672,208
Financing and investing activities	<u>(648,153)</u>	<u>(669,718)</u>
	<u>\$ 93,503</u>	<u>\$ 2,490</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 \$1,059,220 (2017 - \$915,725) is maintained to finance approved capital replacements.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2018

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

b. 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.

The net assets and results of operations of the Board of Management have not been consolidated in the Home's non-consolidated financial statements. A summary of the most recently available financial statements for this unconsolidated entity as at December 31 is as follows:

	<u>2018</u>	<u>2017</u>
Assets	\$ 168,508	\$ 167,453
Liabilities	41,331	1,500
Net Assets	<u>\$ 127,177</u>	<u>\$ 165,953</u>
Revenues	\$ 38,863	\$ 31,151
Expenses	77,639	41,339
Deficiency of revenues over expenses	<u>\$ (38,776)</u>	<u>\$ (10,188)</u>

10. Economic Dependence

The Home is economically dependent upon the Ministry of Health and Long-Term Care, as 63% of its revenue originates from this source (2017 - 62%).