

**Riverside Health Care Facilities, Inc.**  
**Consolidated Financial Statements**  
For the year ended March 31, 2011

**Riverside Health Care  
 Facilities, Inc.**  
**Consolidated Financial Statements**  
 For the year ended March 31, 2011

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## Independent Auditor's Report

To the Chairman and Members of the Board of Directors of  
Riverside Health Care Facilities, Inc.

We have audited the accompanying consolidated financial statements of Riverside Health Care Facilities, Inc. as at March 31, 2011, which are comprised of the Consolidated Statement of Financial Position as at March 31, 2011, and the Consolidated Summary Statement of Operations, the Consolidated Statement of Changes in Net Assets and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

### Opinion

In our opinion, the consolidated financial statements present fairly in all material respects, the financial position of Riverside Health Care Facilities, Inc. as at March 31, 2011, and their financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*BDO CANADA LLP*

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario  
June 20, 2011

**Riverside Health Care Facilities, Inc.  
Consolidated Statement of Financial Position**

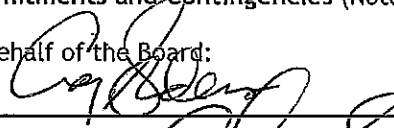
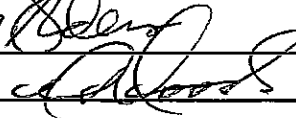
March 31	2011	2010
<b>Assets</b>		
<b>Current</b>		
Cash and bank	\$ 6,414,442	\$ 5,560,967
Short-term deposits	737	1,127,053
Accounts receivable (Note 2)	2,087,940	1,568,111
Inventories	229,216	217,081
Prepaid expenses	127,890	196,916
	8,860,225	8,670,128
Property, plant and equipment (Note 3)	31,150,701	32,635,515
Construction in progress	2,261,637	2,053,953
	\$ 42,272,563	\$ 43,359,596

**Liabilities and Net Assets**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 4,733,284	\$ 4,870,643
Due to MOHLTC/LHIN/other agencies	1,221,649	1,494,483
	5,954,933	6,365,126
Employee future benefits (Note 4)	2,165,700	1,960,500
Deferred revenue (Note 5)	19,834,086	20,278,413
<b>Net assets</b>		
Unrestricted	(2,531,616)	(2,305,735)
Investment in property, plant and equipment (Note 9)	16,625,519	16,837,644
Board designated	223,941	223,648
	14,317,844	14,755,557
	\$ 42,272,563	\$ 43,359,596

**Commitments and Contingencies (Note 10)**

On behalf of the Board:

  
 \_\_\_\_\_ Member  
  
 \_\_\_\_\_ Member

## Riverside Health Care Facilities, Inc. Consolidated Summary Statement of Operations

For the year ended March 31	2011	2010
<b>Operating</b>		
<b>Revenues:</b>		
LHIN - base allocation	\$ 22,120,800	\$ 21,763,300
LHIN/MOHLTC - one-time payment	440,930	265,403
LHIN/MOHLTC - paymaster	642,924	659,563
	<u>23,204,654</u>	<u>22,688,266</u>
Patient revenue, differential and co-payment revenue	1,836,068	1,858,884
Recoveries and miscellaneous revenue	1,456,194	1,167,484
Amortization of deferred contributions related to equipment	554,571	870,513
Cancer care	300,430	400,271
	<u>27,351,917</u>	<u>26,985,418</u>
<b>Total revenues</b>		
<b>Expenses</b>		
Salaries and wages	15,110,071	15,478,815
Benefits contributions from employers	4,087,452	4,744,976
Employee future benefits	109,900	110,300
Medical staff remuneration	1,121,546	999,450
Nurse practitioners remuneration	132,914	132,453
Supplies and other expenses	4,114,427	3,683,135
Amortization of software licenses and fees	89,124	89,087
Medical and surgical supplies	557,781	479,500
Drugs and medical gases	577,389	728,378
Bad debts	31,538	35,228
Amortization of major equipment	853,567	897,865
Rent/lease of equipment	72,486	80,610
	<u>26,858,195</u>	<u>27,459,797</u>
<b>Total expenses</b>		
<b>Surplus (deficit) from operations</b>		
	<u>493,722</u>	<u>(474,379)</u>
<b>Other votes (Schedule 1) (Note 8)</b>		
Revenue	13,662,996	12,661,025
Expenses	13,714,767	13,304,235
<b>Deficit from other votes</b>		
	<u>(51,771)</u>	<u>(643,210)</u>
<b>Other funding sources (Schedule 2) (Note 8)</b>		
Revenue	389,576	412,067
Expenses	391,796	412,067
<b>Deficit from other funding sources</b>		
	<u>(2,220)</u>	<u>-</u>
<b>Surplus (deficit) from operations, other votes and other funding sources</b>		
	<u>\$ 439,731</u>	<u>\$ (1,117,589)</u>

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

**Riverside Health Care Facilities, Inc.**  
**Consolidated Summary Statement of Operations**  
**(Continued)**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
Surplus (deficit), carried forward	\$ 439,731	\$ (1,117,589)
Capital revenue		
Amortization of deferred contributions related to property, plant and equipment	484,045	441,015
	923,776	(676,574)
Capital expenses		
Amortization of non-marketed building and service equipment	1,361,782	1,319,023
<b>Deficit for the year</b>	<b>\$ (438,006)</b>	<b>\$ (1,995,597)</b>

The accompanying summary of significant accounting policies, notes and schedules are an integral part of these consolidated financial statements.

**Riverside Health Care Facilities, Inc.**  
**Consolidated Statement of Changes in Net Assets**

<b>For the year ended March 31</b>	<b>Unrestricted</b>	<b>Invested in Property Plant and Equipment</b>	<b>Board Designated</b>	<b>Total 2011</b>	<b>Total 2010</b>
Balance, beginning of year, as previously stated	\$ (2,305,735)	\$ 16,837,644	\$ 223,648	\$ 14,755,557	\$ 16,384,902
Prior period error correction (Note 1)	-	-	-	-	365,558
Balance, beginning of year, restated	(2,305,735)	16,837,644	223,648	14,755,557	16,750,460
Deficit for the year	(438,006)	-	-	(438,006)	(1,995,597)
Net change in investment in property, plant and equipment (Note 9)	212,125	(212,125)	-	-	-
Net transfer to board designated	-	-	293	293	694
<b>Balance, end of year</b>	<b>\$ (2,531,616)</b>	<b>\$ 16,625,519</b>	<b>\$ 223,941</b>	<b>\$ 14,317,844</b>	<b>\$ 14,755,557</b>

**Riverside Health Care Facilities, Inc.  
Consolidated Statement of Cash Flows**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Cash provided by (used in) operations</b>		
Deficit for the year	\$ (438,006)	\$ (1,995,597)
Adjustments to net assets	293	694
Correction of prior period error	365,558	-
Items not involving cash		
Amortization of property, plant and equipment	2,404,089	2,386,259
Amortization of deferred contribution related to property, plant and equipment	(1,038,616)	(1,311,528)
Net increase in employee future benefits	205,200	184,100
	<u>1,498,518</u>	<u>(736,072)</u>
<b>Cash provided by (used in) changes in the following operational balances</b>		
Accounts receivable	(519,829)	39,803
Inventories	(12,134)	(3,417)
Prepaid expenses	69,026	(29,802)
Accounts payable and accrued liabilities	(137,358)	(370,653)
Deferred revenue	(23,872)	35,462
	<u>(624,167)</u>	<u>(328,607)</u>
	<u>874,351</u>	<u>(1,064,679)</u>
<b>Investing and financing activities</b>		
Purchase of property, plant and equipment	(1,126,960)	(1,788,531)
Decrease in short-term deposits	1,126,315	168,789
Increase (decrease) in amounts due to MOHLTC/LHIN	(638,392)	111,572
Increase in deferred contributions	618,161	1,996,181
	<u>(20,876)</u>	<u>488,011</u>
<b>Increase (decrease) in cash during the year</b>	<b>853,475</b>	<b>(576,668)</b>
Cash, beginning of year	5,560,967	6,137,635
<b>Cash, end of year</b>	<b>\$ 6,414,442</b>	<b>\$ 5,560,967</b>



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## Riverside Health Care Facilities, Inc. Summary of Significant Accounting Policies

March 31, 2011

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**Nature of Organization** Riverside Health Care Facilities, Inc. (the "Corporation") was incorporated under the Ontario Hospitals Act on May 13, 1975. The Corporation is principally involved in providing health care services to the central and western regions of the Rainy River District. The Corporation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

**Basis of Accounting** The consolidated statements reflect the assets, liabilities, revenues and expenditures of all organizations which are owned or controlled by the Board of Directors. All interfund assets and liabilities and revenues and expenditures have been eliminated on consolidation.

The following organization controlled by the Board has been consolidated:

District of Rainy River Home for the Aged,  
Operating Business as Rainycrest - Home for the Aged

Rainycrest was formed by an Order of Council of the Ontario Government. The Home is principally involved in providing long-term care to the elderly. The Home is a registered charity under the Income Tax Act and as such is exempt from income taxes.

The consolidated financial statements do not include the activities of the Hospitals auxiliaries: Riverside Foundation for Health Care and LaVerendrye Non-Profit Supportive Housing Corporation, which, although associated with the Hospital, are separately managed and report to separate Boards of Trustees.

**Revenue Recognition** The Hospital follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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## Riverside Health Care Facilities, Inc. Summary of Significant Account Policies

March 31, 2011

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### Revenue Recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

Revenue from the Provincial Insurance Plan and marketed services is recognized when the goods are sold or the service is provided.

Unrestricted investment income is recognized as revenue when earned.

### Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the consolidated financial statements.

### Property, Plant and Equipment

Purchased property, plant and equipment are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When property, plant and equipment no longer contribute to the Corporation's ability to provide services, their carrying amount is written down to their residual value.

Property, plant and equipment are amortized on a straight line basis using the following annual rates:

Buildings	20 to 40 years
Building service equipment	20 to 40 years
Major equipment	5 to 20 years
Computer software	3 to 5 years

### Compensated Absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Corporation's benefit plans for vacation, sick leave and retirement allowances.

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## Riverside Health Care Facilities, Inc. Summary of Significant Account Policies

March 31, 2011

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<b>Cash and Cash Equivalents</b>	Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.
<b>Short-term Investments</b>	Temporary investments are stated at the lower of cost and market value.
<b>Inventories</b>	Inventory is stated at the lower of cost and net realizable value.
<b>Financial Instruments</b>	<p>The Hospital utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Hospital is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of the financial instruments approximate their carrying values, unless otherwise noted.</p> <p>All transactions related to financial instruments are on a settlement date basis.</p> <p>The Hospital classified its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Hospital's accounting policy for each category is as follows:</p> <p><b>Held-for-Trading</b></p> <p>This category is comprised of cash and bank and short-term deposits. They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.</p> <p><b>Loans and Receivables</b></p> <p>These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates or on demand. They arise principally through the provision of goods and services to customers (accounts receivable). They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.</p>

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## Riverside Health Care Facilities, Inc. Summary of Significant Account Policies

**March 31, 2011**

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**Financial Instruments  
(Continued)**

**Other Financial Liabilities**

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprise accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices as appropriate, in the most advantageous active market for that instrument to which the Organization has immediate access.

**Board Designated  
Net Assets**

Board designated net assets include donations and bequests as well as certain fund surpluses designated for specific purposes by the Board of Directors.

**Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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## Riverside Health Care Facilities, Inc. Summary of Significant Account Policies

March 31, 2011

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### Employee Benefits Plans

The Hospital accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of retirement ages of employees and expected health care costs.

Adjustments arising from plan amendments, including past service costs, are amortized on a straight-line basis over the average remaining service period of employees active at the date of the amendment.

The Hospital is an employer member of the Healthcare of Ontario Pension Plan (HOOPP), 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 Hospital has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Hospital 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.

### New Accounting Pronouncements

#### Account Standards for Not-for-Profit Organizations (NPO)

In December 2010 the Accounting Standards Board (AcSB) and Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

For government (public sector) NPOs they have a choice of:

1. Public Sector Accounting Standards with the current series of NPO-specific standards added with some minor changes; or
2. Public Sector Accounting Standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January 1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting Part V - Pre-Changeover standards.

**Riverside Health Care Facilities, Inc.**  
**Notes to Consolidated Financial Statements**

March 31, 2011

**1. Prior Period Error Correction**

During the year, the Hospital determined that amounts recognized as payable to the Ministry of Health and Long-Term Care for the 2005/2006 fiscal year were overstated. Actual amounts due to and paid to the Ministry of Health and Long-Term Care were \$365,558 less than what was recognized in previous years. A prior period adjustment of \$365,558 has been made to net assets and comparative amounts have been restated to correct for the overstatement of \$365,558 in amounts due to MOHLTC/LHIN/other agencies.

**2. Accounts Receivable**

	2011	2010
Ministry of Health and Long-Term Care	\$ 691,656	\$ 149,987
Insurers and patients	712,028	703,761
Other	684,256	714,363
	\$ 2,087,940	\$ 1,568,111

**3. Property, Plant and Equipment**

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,497,829	\$ -	\$ 1,497,829	\$ 1,497,829
Computer software	723,948	421,352	302,596	346,602
Buildings and service equipment	47,681,030	21,563,838	26,117,192	27,480,725
Machinery and equipment	10,609,953	7,376,869	3,233,084	3,310,359
	\$ 60,512,760	\$ 29,362,059	\$ 31,150,701	\$ 32,635,515

## Riverside Health Care Facilities, Inc. Notes to Consolidated Financial Statements

March 31, 2011

### 4. Employee Future Benefits

The Corporation has an unfunded benefit plan providing retirement and post-employment benefits (excluding pension) to most of its employees. The Corporation pays certain medical and life insurance benefits under an unfunded defined benefit plan on behalf of its retired employees. The eligibility for benefits is determined by the status and employment group that each individual employee belongs to.

The Corporation measures its accrued benefits obligation for accounting purposes as at March 31st of each year. The latest actuarial valuation was performed in April 2011.

(a) Accrued benefit obligation	2011	2010
Accrued benefit obligation	\$ 4,011,100	\$ 2,944,600
Unamortized transitional obligation	(174,100)	(232,100)
Unamortized net actuarial loss	(1,067,300)	(444,300)
Unamortized past service costs	(604,000)	(307,700)
Employee future benefits liability	\$ 2,165,700	\$ 1,960,500

As of April 1, 2000, the Ministry of Health required Hospitals to record the future employee benefits. The transitional obligation at April 1, 2000, amounted to \$890,800 and is being recorded under the perspective approach at \$58,000 per year.

(b) Significant assumptions	2011	2010
<b>Accrued benefit obligation as of March 31:</b>		
Discount rate	5.0 %	7.5 %
<b>Rate of care cost trend at March 31:</b>		
Rate of increase in dental	4.0 %	4.0 %
Rate of increase in extended health care	7.5 %	9.0 %

For March 31, 2011, extended health care costs are assumed to increase at 7.5% graded down by 0.5% annual decrements to 5% per annum thereafter.

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**Riverside Health Care Facilities, Inc.**  
**Notes to Consolidated Financial Statements**

March 31, 2011

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**5. Deferred Revenue**

	2011	2010
Deferred revenue		
Deferred physician recruitment funding	\$ 531,662	\$ 572,147
Other deferred revenue	16,614	-
	<b>548,276</b>	<b>572,147</b>
Deferred contributions related to property, plant and equipment	16,786,819	17,851,824
Unexpended deferred contributions related to property, plant and equipment	2,498,991	1,854,442
	<b>19,285,810</b>	<b>19,706,266</b>
	<b>\$ 19,834,086</b>	<b>\$ 20,278,413</b>

Deferred physician recruitment funding is recognized when related costs are incurred.

Deferred contributions related to property, plant and equipment are amortized at the same rate as the corresponding assets are being amortized.

Unexpended deferred contributions related to property, plant and equipment are amortized once the funds have been spent and the corresponding assets are put into service.

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**6. Credit Facilities**

Riverside Health Care Facilities, Inc. is party to a short-term credit agreement with a Canadian chartered bank pursuant to which the Corporation could borrow up to \$1,000,000 in the form of a demand operating loan. The amount drawn under the credit agreement as at March 31, 2011, was \$NIL (2010 - \$NIL).



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## Riverside Health Care Facilities, Inc. Notes to Consolidated Financial Statements

March 31, 2011

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### 7. Pension Plan

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. HOOPP provides pension services to more than 260,000 active and retired members and approximately 370 employers. Each year an independent actuary determines the funding status of HOOPP (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 results of the most recent actuarial valuation as at December 31, 2010, disclosed an actuarial surplus of \$176 million. The results of this valuation disclosed total actuarial liabilities of \$34,897 million in respect of benefits accrued for service with actuarial assets at that date of \$35,073 million. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario Hospitals and their employees. As a result, the Hospital does not recognize any share of the HOOPP surplus or deficit. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$1,851,503 (2010 - \$1,880,640) and are included in the consolidated summary statement of operations.

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### 8. Other Votes and Other Funding Source Revenues

Other votes and other funding source revenues have been recognized to the extent they have been earned in the year. Excess cash flows received at year end are included in due to MOHLTC/LHIN/other agencies liabilities at year end.

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**Riverside Health Care Facilities, Inc.**  
**Notes to Consolidated Financial Statements**

**March 31, 2011**

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**9. Investment in Property, Plant and Equipment**

(a) Investment in property, plant and equipment is calculated as follows:

	2011	2010
Property, plant and equipment	\$ 31,150,701	\$ 32,635,515
Construction in progress	2,261,637	2,053,953
Amounts financed by:		
Deferred contributions (Note 5)	(16,786,819)	(17,851,824)
	\$ 16,625,519	\$ 16,837,644

(b) Change in investment in property, plant and equipment is calculated as follows:

	2011	2010
Purchase of property, plant and equipment	\$ 1,126,960	\$ 1,788,531
Amounts funded by deferred contributions	26,388	(1,663,724)
Amortization of deferred contributions related to property, plant and equipment	1,038,616	1,311,528
Amortization of property, plant and equipment	(2,404,089)	(2,386,259)
	\$ (212,125)	\$ (949,924)

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**10. Commitments and Contingencies**

Riverside Health Care Facilities, Inc. is the defendant in a claim which arose in the ordinary course of business. The amount claimed by the plaintiff is \$750,000. In the opinion of management and legal counsel, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of this claim, it is expected that Corporate liability insurance will cover the loss.

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## Riverside Health Care Facilities, Inc. Notes to Consolidated Financial Statements

March 31, 2011

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### 11. Capital Disclosures

Riverside Health Care Facilities, Inc. considers its capital to be its net assets, unrestricted and board designated. Riverside Health Care Facilities, Inc.'s overall objective when managing its capital is to fund capital assets and ongoing operations. Riverside Health Care Facilities, Inc. is not subject to externally imposed capital requirements and its overall strategy to capital remains unchanged from the year ended March 31, 2010. Annual budgets are developed and monitored to ensure its capital is maintained at an appropriate level.

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### 12. Economic Dependence

Riverside Health Care Facilities, Inc. receives the majority of its funding from the Ministry of Health and Long-Term Care and the North West Local Health Integration Network.

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### 13. Fair Values on Financial Instruments

The fair values of cash and bank, short-term deposits, accounts receivable, accounts payable and accrued liabilities approximate their carrying amounts because of the short-term maturity of these instruments.



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## Auditor's Comments on Supplementary Financial Information

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To the Chairman and Members of the Board of Directors of  
Riverside Health Care Facilities, Inc.

We have audited the consolidated financial statements of Riverside Health Care Facilities, Inc., which comprise the Consolidated Statement of Financial Position as at March 31, 2011, and the Consolidated Summary Statement of Operations, the Consolidated Statement of Changes in Net Assets and the Consolidated Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated June 20, 2011, which contained an unqualified opinion on those consolidated financial statements. The audit was performed to form an opinion on the consolidated financial statements as a whole. The following program schedules are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the consolidated financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves.

This supplementary information is prepared to assist Riverside Health Care Facilities, Inc. in assessing and analysing the operations of the individual programs. As a result, the supplementary information may not be suitable for another purpose. Our report is intended solely for the Board of Directors of Riverside Health Care Facilities, Inc. and should not be distributed to or used by parties other than the Board of Directors of Riverside Health Care Facilities, Inc.

*BDO CANADA LLP*

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario  
June 20, 2011

**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 1 - Summary of Fund Type II's - Other Votes**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Mental Health - Case Management (Schedule 6)	\$ 84,000	\$ 84,000
Mental Health (Schedule 7)	467,226	481,723
Addictions (Schedule 8)	197,125	173,649
Concurrent Disorders (Schedule 9)	5,000	-
Problem Gambling (Schedule 10)	93,722	90,996
Crisis Response (Schedule 11)	1,339,698	1,045,802
Supportive Housing (Schedule 12)	479,818	460,082
Municipal Tax	14,400	14,400
Rainycrest - Home for the Aged (Schedule 13)	10,303,134	9,635,544
Community Support Services (Schedule 14)	678,873	674,829
	<u>13,662,996</u>	<u>12,661,025</u>
<b>Expenses</b>		
Mental Health - Case Management (Schedule 6)	84,000	84,000
Mental Health (Schedule 7)	467,226	481,723
Addictions (Schedule 8)	197,125	173,649
Concurrent Disorders (Schedule 9)	5,000	-
Problem Gambling (Schedule 10)	93,722	90,996
Crisis Response (Schedule 11)	1,339,698	1,045,802
Supportive Housing (Schedule 12)	488,709	460,082
Municipal Tax	14,400	14,400
Rainycrest - Home for the Aged (Schedule 13)	10,345,752	10,278,754
Community Support Services (Schedule 14)	679,135	674,829
	<u>13,714,767</u>	<u>13,304,235</u>
<b>Fund balance, end of year</b>	<b>\$ (51,771)</b>	<b>\$ (643,210)</b>

**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 2 - Summary of Fund Type III's - Other Funding Sources**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Family Violence Counselling Program (Schedule 3)	\$ 117,803	\$ 142,803
Valley Diabetes Education Centre Program (Schedule 4)	228,260	226,531
Riverside Community Family Violence Service - PARR (Schedule 5)	43,513	42,733
	<u>389,576</u>	<u>412,067</u>
<b>Expenses</b>		
Family Violence Counselling Program (Schedule 3)	120,023	142,803
Valley Diabetes Education Centre Program (Schedule 4)	228,260	226,531
Riverside Community Family Violence Service - PARR (Schedule 5)	43,513	42,733
	<u>391,796</u>	<u>412,067</u>
<b>Fund balance, end of year</b>	<b>\$ (2,220)</b>	<b>\$ -</b>

**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 3 - Family Violence Counselling Program**

For the year ended March 31	2011	2010
<b>Revenue</b>		
Ministry of Community and Social Services (Note 8)	\$ 117,803	\$ 142,803
<b>Expenditure</b>		
Salaries	86,564	99,364
Benefits	17,838	21,827
Staff travel	505	529
Staff training	5,094	3,904
Audit and accounting	-	1,190
Supplies	4,696	11,252
Rent	2,634	2,633
Telephone	1	60
Legal	789	-
Insurance	-	1,055
Equipment	253	44
Memberships	990	945
Renovations	500	-
Meetings	159	-
	120,023	142,803
<b>Fund balance, end of year</b>	<b>\$ (2,220)</b>	<b>\$ -</b>

**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 4 - Valley Diabetes Education Centre Program**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Northern Diabetes Health Network (Note 8)	\$ 226,210	\$ 225,406
Recoveries	2,050	1,125
	<u>228,260</u>	<u>226,531</u>
<b>Expenditure</b>		
Salaries	169,799	160,481
Benefits	40,583	49,892
Program supplies	-	4,757
Accounting	2,400	1,200
Audits	1,200	700
Postage, stationary and office supplies	3,722	2,583
Staff education and travel	3,808	6,621
Telephone	-	60
Equipment	6,469	89
Other	279	148
	<u>228,260</u>	<u>226,531</u>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>



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**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 5 - Riverside Community Family Violence Service - PARR**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
Ministry of the Attorney General (Note 8)	\$ 43,513	\$ 42,733
<b>Expenditure</b>		
Program costs	43,513	42,733
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

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**Riverside Health Care Facilities, Inc.  
Statement of Revenue and Expenditure  
Schedule 6 - Mental Health (Case Management)**

<b>For the year ended March 31</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
LHIN (Note 8)	\$ 84,000	\$ 84,000
<b>Expenditure</b>		
Salaries and wages	66,390	66,652
Benefit contributions	17,610	17,348
	84,000	84,000
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

**Riverside Health Care Facilities, Inc.  
Statement of Revenue and Expenditure  
Schedule 7 - Mental Health**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
LHIN (Note 8)	\$ 467,632	\$ 480,089
Recoveries	(406)	1,634
	<u>467,226</u>	<u>481,723</u>
<b>Expenditure</b>		
Salaries and wages	348,154	347,415
Benefit contributions	78,850	73,536
Employee future benefits	288	-
Supplies and materials	39,934	33,748
Sessional fees	-	10,024
Amortization of software licenses and fees	-	17,000
	<u>467,226</u>	<u>481,723</u>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 8 - Additions**

For the year ended March 31	2011	2010
<b>Revenue</b>		
LHIN (Note 8)	\$ 192,088	\$ 172,151
Recoveries	5,037	1,498
	<u>197,125</u>	<u>173,649</u>
<b>Expenditure</b>		
Salaries and wages	134,971	133,237
Benefit contributions	26,073	25,991
Employee future benefits	3,306	-
Supplies and materials	32,775	14,421
	<u>197,125</u>	<u>173,649</u>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

**Riverside Health Care Facilities, Inc.  
Statement of Revenue and Expenditure  
Schedule 9 - Concurrent Disorders**

For the year ended March 31	2011	2010
<b>Revenue</b>		
LHIN (Note 8)	\$ 5,000	\$ -
<b>Expenditure</b>		
Salaries and wages	3,657	-
Benefit contributions	1,160	-
Supplies and materials	183	-
	5,000	-
<b>Fund balance, end of year</b>	\$ -	\$ -

**Riverside Health Care Facilities, Inc.  
Statement of Revenue and Expenditure  
Schedule 10 - Problem Gambling**

<b>For the year ended March 31</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
LHIN (Note 8)	\$ 93,418	\$ 90,861
Recoveries	304	135
	<u>93,722</u>	<u>90,996</u>
<b>Expenditure</b>		
Salaries and wages	71,366	73,087
Benefit contributions	17,732	17,437
Supplies and materials	4,624	472
	<u>93,722</u>	<u>90,996</u>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 11 - Crisis Response**

<b>For the year ended March 31</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
LHIN (Note 8)	\$ 1,273,175	\$ 978,395
Non-Government - service recipient	61,100	61,100
Recoveries	5,423	6,307
	<u>1,339,698</u>	<u>1,045,802</u>
<b>Expenditure</b>		
Salaries and wages	1,059,221	834,576
Benefit contributions	46,404	44,629
Supplies and materials	234,073	166,597
	<u>1,339,698</u>	<u>1,045,802</u>
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

**Riverside Health Care Facilities, Inc.  
Statement of Revenue and Expenditure  
Schedule 12 - Supportive Housing**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
LHIN (Note 8)	\$ 469,259	\$ 452,122
Recoveries	10,559	7,960
	<u>479,818</u>	<u>460,082</u>
<b>Expenditure</b>		
Salaries and wages	349,982	338,250
Benefit contributions	81,499	70,593
Supplies and materials	57,228	51,239
	<u>488,709</u>	<u>460,082</u>
<b>Fund balance, end of year</b>	<b>\$ (8,891)</b>	<b>\$ -</b>



**Riverside Health Care Facilities, Inc.**  
**Statement of Revenue and Expenditure**  
**Schedule 13 - Rainycrest - Home for the Aged**

For the year ended March 31	2011	2010
<b>Revenue</b>		
Ministry of Health/LHIN - General subsidy	\$ 6,412,903	\$ 5,932,264
- One-time subsidies	59,962	-
- Doctor on-call funding	16,400	16,400
- High intensity needs and lab funding	36,275	34,610
	6,525,540	5,983,274
Resident fees	2,814,610	2,652,020
District municipalities	664,367	757,912
Other	298,617	242,338
	10,303,134	9,635,544
<b>Expenditure</b>		
Operations		
Nursing administration	197,871	196,663
Nursing personal care	5,630,457	5,978,971
Program and support services	484,136	375,972
Raw food	454,013	427,153
Accommodation		
Housekeeping services	605,014	665,181
Building and property	324,416	320,407
Dietary services	994,037	994,706
Laundry and linen services	227,159	177,987
General and administrative	838,436	623,592
Facility costs	326,499	299,950
Handi-van	123,905	109,762
High intensity needs and lab costs	22,962	34,610
Bad debts	28,447	-
Employee future benefits	88,400	73,800
	10,345,752	10,278,754
<b>Total expenditure</b>	<b>10,345,752</b>	<b>10,278,754</b>
<b>Fund balance, end of year</b>	<b>\$ (42,618)</b>	<b>\$ (643,210)</b>

**Riverside Health Care Facilities, Inc.  
Statement of Revenue and Expenditure  
Schedule 14 - Community Support Services**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
<b>Revenue</b>		
LHIN - General subsidy	\$ 429,072	\$ 420,659
Recoveries and miscellaneous revenue	249,801	254,170
	<u>678,873</u>	<u>674,829</u>
<b>Expenditure</b>		
Salaries and wages	478,755	492,317
Benefit contributions	139,808	127,568
Building occupancy	10,312	8,092
Equipment	6,485	7,399
Other operating	28,731	33,972
Supplies	15,044	5,481
	<u>679,135</u>	<u>674,829</u>
<b>Total expenditure</b>	<b>679,135</b>	<b>674,829</b>
<b>Fund balance, end of year</b>	<b>\$ (262)</b>	<b>\$ -</b>



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## Independent Auditor's Report

To the Chairman and Members of the Board of Directors of  
Riverside Health Care Facilities, Inc.

We have audited the accompanying statement of financial position of Riverside Health Care Facilities, Inc. Trust Funds, as at March 31, 2011, and the statement of operations for the Bequest Trust, the Memorial Trust and the Residents' Council Trust for the year then ended and a summary of significant accounting policies and other explanatory information (together "the financial statements"). The financial statements have been prepared by management based on the financial provisions of Sections 241 and 242 of the Long-Term Care Homes Act.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Sections 241 and 242 of the Long-Term Care Homes Act, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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, if any, made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the financial statements of Riverside Health Care Facilities, Inc. Trust Funds, as at March 31, 2011, are prepared, in all material respects, in accordance with the financial provisions of Sections 241 and 242 of the Long-Term Care Homes Act.

### Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Riverside Health Care Facilities, Inc. to comply with the financial reporting provisions of Sections 241 and 242 of the Long-Term Care Homes Act. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Directors of Riverside Health Care Facilities, Inc. and should not be distributed to or used by parties other than the Board of Directors of Riverside Health Care Facilities, Inc.

*BDO CANADA LLP*

Chartered Accountants, Licensed Public Accountants

Fort Frances, Ontario  
June 20, 2011

**Riverside Health Care Facilities, Inc.**  
**Trust Funds**  
**Statement of Financial Position**

<b>March 31, 2011</b>	<b>Bequest</b>	<b>Residents' Council</b>	<b>Residents' Comfort Trust</b>	<b>2011 Total</b>	<b>2010 Total</b>
<b>Assets</b>					
Cash	\$ -	\$ 836	\$ 84,727	\$ 85,563	\$ 45,320
Short-term investments	120,142	10,016	-	130,158	284,177
	<b>\$ 120,142</b>	<b>\$ 10,852</b>	<b>\$ 84,727</b>	<b>\$ 215,721</b>	<b>\$ 329,497</b>
<b>Liabilities</b>					
Balance	\$ 120,142	\$ 10,852	\$ 84,727	\$ 215,721	\$ 329,497

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**Riverside Health Care Facilities, Inc.**  
**Rainycrest - Bequest Trust Fund**  
**Statement of Operations**

<u>For the year ended March 31</u>	<u>2011</u>	<u>2010</u>
Revenue		
Interest	\$ 791	\$ 31
Expenditure	-	-
Excess of revenue over expenditure	791	31
Trust fund balance, beginning of year	119,351	119,320
Trust fund balance, end of year	\$ 120,142	\$ 119,351

**Riverside Health Care Facilities, Inc.  
Rainycrest - Memorial Trust Fund  
Statement of Operations**

<b>For the year ended March 31</b>	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Interest	\$       45	\$       112
<b>Expenditure</b>		
Transfers to Riverside Foundation for Health Care	<b>88,590</b>	-
<b>Excess (deficiency) of revenue over expenditure</b>	<b>(88,545)</b>	112
<b>Trust fund balance, beginning of year</b>	<b>88,545</b>	88,433
<b>Trust fund balance, end of year</b>	<b>\$           -</b>	<b>\$    88,545</b>

**Riverside Health Care Facilities, Inc.**  
**Rainycrest - Residents' Council Trust**  
**Statement of Operations**

For the year ended March 31	2011	2010
<b>Revenue</b>		
Beverage sales	\$ 4,841	\$ 5,101
Interest	27	14
	4,868	5,115
<b>Expenditure</b>		
Beverage purchases	2,614	2,665
Capital expenditure	10,897	-
	13,511	2,665
<b>Excess (deficiency) of revenue over expenditure</b>	<b>(8,643)</b>	<b>2,450</b>
Trust fund balance, beginning of year	19,495	17,045
<b>Trust fund balance, end of year</b>	<b>\$ 10,852</b>	<b>\$ 19,495</b>

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**Riverside Health Care Facilities, Inc.  
Rainycrest Trust Funds  
Note to Financial Statements**

**March 31, 2011**

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**Summary of Significant Accounting Policies**

<b>Basis of Accounting</b>	Sources of revenue and expenditures are reported on the cash basis of accounting.
<b>Property, Plant and Equipment</b>	<p>Property, plant and equipment are reported as an expenditure on the Statement of Operations in the year of acquisition.</p> <p>Property, plant and equipment are not capitalized, and accordingly no amortization is recorded.</p>
<b>Inventories</b>	Inventories of supplies are expensed in the year they are acquired.
<b>Residents' Comfort Trust</b>	No Statement of Operations is presented for this Trust Fund. The funds held in this Trust belong to the residents of the Home. Any income earned by the Trust on its investments is allocated to each resident on a pro-rata basis. Any other receipts or payments from the Trust are made on behalf of specific residents and are accounted for as such.
<b>Memorial Trust Fund</b>	All Trust Fund assets and liabilities of the Memorial Trust Fund were transferred to Riverside Foundation for Health Care.