

Riverside Health Care Facilities, Inc.
Financial Statements
For the year ended March 31, 2016

**Riverside Health Care
Facilities, Inc.
Financial Statements
For the year ended March 31, 2016**

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Riverside Health Care Facilities, Inc. Management's Responsibility for the Financial Statements

The accompanying financial statements of Riverside Health Care Facilities, Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board Chair and CEO on behalf of the Organization.

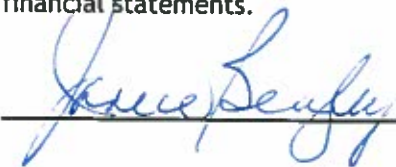
The financial statements have been prepared by management in accordance with public sector accounting principles for government not-for-profit Organizations. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Organization maintains systems of internal accounting and administrative controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Organization's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors are responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Directors review the Organization's financial statements and meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report.

The financial statements have been audited by BDO Canada LLP, independent external auditors appointed by the Organization. The audit has been performed in accordance with Canadian generally accepted auditing standards. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Organization's financial statements.



Board Chair



CEO

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 financial statements of Riverside Health Care Facilities, Inc., as at March 31, 2016, which comprise the Statement of Financial Position as at March 31, 2016, and the Summary Statement of Operations, the Statement of Changes in Net Assets and the Statement of Cash Flows for the year ended March 31, 2016, 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 financial statements in accordance with Canadian public sector accounting standards for government not-for-profit Organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 of 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 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 present fairly in all material respects, the financial position of Riverside Health Care Facilities, Inc. as at March 31, 2016, and the results of operations, changes in net assets and cash flows for the year ended March 31, 2016, in accordance with Canadian public sector accounting standards for government not-for-profit Organizations.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Fort Frances, Ontario
June 16, 2016

Riverside Health Care Facilities, Inc.
Statement of Financial Position

March 31	2016	2015
Assets		
Current		
Cash and bank (Note 2)	\$ 4,902,548	\$ 4,799,759
Accounts receivable (Note 3)	2,591,484	3,468,573
Inventories	261,395	245,655
Prepaid expenses	399,571	304,162
	8,154,998	8,818,149
Capital assets (Note 5)	28,270,327	29,968,462
Construction in progress	3,066	54,354
	\$ 36,428,391	\$ 38,840,965

Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 5,973,608	\$ 6,226,451
Due to LHIN/MOHLTC/other agencies	1,547,988	1,349,661
	7,521,596	7,576,112
Post-employment benefits and compensated absences (Note 7)	4,488,800	4,279,000
Deferred revenue (Note 8)	16,636,567	17,701,902
	28,646,963	29,557,014
Net assets (deficit)		
Unrestricted	(3,911,219)	(3,240,691)
Investment in capital assets (Note 11)	11,636,823	12,469,432
Board designated	55,824	55,210
	7,781,428	9,283,951
	\$ 36,428,391	\$ 38,840,965

On behalf of the Board:

_____ Director

_____ Director

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

Riverside Health Care Facilities, Inc. Summary Statement of Operations

For the year ended March 31	2016	2015
Operating		
Revenues		
LHIN - base allocation	\$ 23,722,134	\$ 23,400,738
LHIN/MOHLTC - one-time payment	389,889	444,631
LHIN/MOHLTC - paymaster	620,067	652,788
LHIN/MOHLTC - quality based procedures	388,976	500,112
	<u>25,121,066</u>	<u>24,998,269</u>
Patient revenue, differential and co-payment revenue	2,122,236	2,094,716
Recoveries and miscellaneous revenue	1,673,250	1,390,989
Amortization of deferred contributions related to equipment	233,180	211,338
Cancer care	456,863	366,626
	<u>29,606,595</u>	<u>29,061,938</u>
Expenses		
Salaries and wages	16,918,926	16,325,615
Benefits contributions from employers	4,536,817	4,237,974
Post-employment benefits and compensated absences	172,700	125,700
Medical staff remuneration	1,246,806	1,240,639
Nurse practitioners remuneration	107,231	132,914
Supplies and other expenses	4,641,234	4,334,578
Amortization of software licenses and fees	33,591	42,842
Medical and surgical supplies	623,316	669,165
Drugs and medical gases	738,100	751,332
Bad debts	28,967	81,612
Amortization of major equipment	729,802	760,653
Rent/lease of equipment	162,409	178,197
	<u>29,939,899</u>	<u>28,881,221</u>
Total expenses	29,939,899	28,881,221
Surplus (deficit) from operations	(333,304)	180,717
Other votes (Schedule 1) (Note 10)		
Revenue	13,355,663	13,035,379
Expenses	13,786,188	13,161,336
	<u>(430,525)</u>	<u>(125,957)</u>
Deficit from other votes	(430,525)	(125,957)
Other funding sources (Schedule 2) (Note 10)		
Revenue	196,168	176,230
Expenses	196,168	176,230
	<u>-</u>	<u>-</u>
Surplus from other funding sources	-	-
Surplus (deficit) from operations, other votes and other funding sources	\$ (763,829)	\$ 54,760

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

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

For the year ended March 31	2016	2015
Surplus (deficit), carried forward	\$ (763,829)	\$ 54,760
Capital revenue		
Amortization of deferred contributions related to non-marketed buildings and service equipment	<u>772,405</u>	<u>675,752</u>
	8,576	730,512
Capital expenses		
Amortization of non-marketed building and service equipment	<u>1,511,713</u>	<u>1,416,429</u>
Deficit for the year	\$ (1,503,137)	\$ (685,917)

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

For the year ended March 31	Unrestricted	Invested in Capital Assets	Board Designated	Total 2016	Total 2015
Balance, beginning of year	\$ (3,240,691)	\$ 12,469,432	\$ 55,210	\$ 9,283,951	\$ 9,969,804
Deficit for the year	(1,503,137)	-	-	(1,503,137)	(685,917)
Net change in investment in capital assets (Note 11)	832,609	(832,609)	-	-	-
Net transfer to board designated	-	-	614	614	64
Balance, end of year	\$ (3,911,219)	\$ 11,636,823	\$ 55,824	\$ 7,781,428	\$ 9,283,951

Riverside Health Care Facilities, Inc.
Statement of Cash Flows

For the year ended March 31	2016	2015
Cash provided by (used in) operations		
Deficit for the year	\$ (1,503,137)	\$ (685,917)
Adjustments to net assets	614	64
Items not involving cash		
Amortization of capital assets	2,304,766	2,253,575
Amortization of deferred contribution related to capital assets	(1,005,585)	(887,090)
Net increase in post-employment benefits and compensated absences	209,800	137,100
	<u>6,458</u>	<u>817,732</u>
Change in non-cash working capital items		
Accounts receivable	877,089	(691,636)
Inventories	(15,740)	549
Prepaid expenses	(95,409)	(152,619)
Accounts payable and accrued liabilities	(252,843)	96,377
Due to LHIN/MOHLTC	198,327	84,446
Deferred revenue	(148,518)	(344,908)
	<u>562,906</u>	<u>(1,007,791)</u>
	<u>569,364</u>	<u>(190,059)</u>
Capital transactions		
Purchase of capital assets	(555,343)	(1,418,785)
Financial transactions		
Increase in deferred contributions	88,768	509,185
	<u>(466,575)</u>	<u>(909,600)</u>
Increase (decrease) in cash during the year	102,789	(1,099,659)
Cash and bank, beginning of year	4,799,759	5,899,418
Cash and bank, end of year	\$ 4,902,548	\$ 4,799,759

Riverside Health Care Facilities, Inc.

Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies

Nature of Organization Riverside Health Care Facilities, Inc. (the "Organization") was incorporated under the Ontario Hospitals Act on May 13, 1975. The Organization is principally involved in providing health care services to the central and western regions of the Rainy River District. The Organization 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.

Management's Responsibility The financial statements of Riverside Health Care Facilities, Inc. are representations of management. The financial statements have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit Organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPO's"). Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are the cost of goods and services acquired in the period whether or not payment has been made or invoices received.

Cash and Cash Equivalents Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

Inventory Inventories are valued at the lower of cost and net realizable value. Cost is determined on the first-in first-out basis. Inventory consists of medical and general supplies that are used in the Organization's operations and not for resale purposes.

Capital Assets Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When capital assets no longer contribute to the Organization's ability to provide services or the value of future economic benefits associated with the capital asset is less than its net book value, the carrying value of the capital asset is reduced to reflect the decline in the asset's value.

Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

Capital assets are amortized on a straight line basis using the following estimated annual rates:

Land improvements	10 to 15 years
Buildings	20 to 40 years
Building service equipment	20 to 40 years
Major equipment	5 to 20 years
Computer software	3 to 5 years

Riverside Health Care Facilities, Inc. Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies (continued)

Retirement and Post-employment Benefits and Compensated Absences

The Organization provides defined retirement and post-employment benefits and compensated absences to certain employee groups. These benefits include pension, health and dental, and vesting sick leave. The Organization has adopted the following policies with respect to accounting for these employee benefits:

- (i) The costs of post-employment future benefits are actuarially determined using management's best estimate of health care costs, disability recovery rates and discount rates. Adjustments to these costs arising from changes in estimates and experienced gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Plan amendments, including past service costs are recognized as an expense in the period of the plan amendment.
- (ii) The Organization 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 costs to the Organization of the multi-employer defined benefit pension are the employer's contributions due to the plan in the period.
- (iii) The cost of vesting sick leave benefits are actuarially determined using management's best estimate of salary escalation, employees' use of entitlement and discount rates. Adjustments to these costs arising from changes in actuarial assumption and/or experience are recognized over the estimated average remaining service life of the employees.
- (iv) The discount rate used in the determination of the above-mentioned liabilities is equal to the Organization's internal rate of borrowing.

Riverside Health Care Facilities, Inc. Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies (continued)

Financial Instruments The Organization classifies its financial instruments as either fair value or amortized cost. The Organization's accounting policy for each category is as follows:

Fair Value

This category includes cash and cash equivalents and derivatives.

They are initially recognized at cost and subsequently carried at fair value. 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. Changes in fair value on restricted assets are recognized as a liability until the criterion attached to the restrictions has been met.

Transaction costs related to financial instruments in the fair value category are expensed as incurred.

Where a decline in fair value is determined to be other than temporary, the amount of the loss is removed from accumulated remeasurement gains and losses and recognized in the Summary Statement of Operations. On sale, the amount held in accumulated remeasurement gains and losses associated with that instrument is removed from net assets and recognized in the Summary Statement of Operations.

The Organization does not have any remeasurement gains or losses. As a result, the financial statements do not include a statement of remeasurement gains and losses.

Amortized Cost

This category includes accounts receivable, accounts payable and accrued liabilities and amounts due to LHIN/MOHLTC/other agencies. They are initially recognized at cost and subsequently carried at amortized cost using the effective interest rate method, less any impairment losses on financial assets.

Transaction costs related to financial instruments in the amortized cost category are added to the carrying value of the instrument.

Writedowns on financial assets in the amortized cost category are recognized when the amount of a loss is known with sufficient precision, and there is no realistic prospect of recovery. Financial assets are then written down to net recoverable value with the writedown being recognized in the Summary Statement of Operations.

Riverside Health Care Facilities, Inc. Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies (continued)

**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.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Organization is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and the North West Local Health Integration Network ("LHIN"). 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.

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.

Amortization of buildings is not funded by the LHIN and accordingly the amortization of buildings has been reflected as an undernoted item in the Summary Statement of Operations with the corresponding realization of revenue for deferred contributions.

Revenue from patient services is recognized when the service is provided.

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.

Riverside Health Care Facilities, Inc.

Notes to Financial Statements

March 31, 2016

1. Significant Accounting Policies (continued)

Contributed Services Volunteers contribute numerous hours to assist the Organization in carrying out certain charitable aspects of its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not reflected in these financial statements.

Use of Estimates The preparation of financial statements in accordance with Canadian public sector accounting standards for government not-for-profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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.

Areas of key estimation include actuarial estimation of post-employment benefits and compensated absences and the estimated useful lives of capital assets.

Contaminated Sites Effective April 1, 2015, the Organization adopted the new Public Sector Accounting Standard PS 3260 Contaminated Sites. The new standard can be applied retroactively or prospectively, and the Organization has elected to apply it prospectively.

Under PS3260, government not-for-profit Organizations are required to accrue a liability for the costs to remediate a contaminated site. Liabilities are recognized when an environmental standard exists, contamination exceeds the standard, the government has responsibility for remediation, future economic benefits will be given up and a reasonable estimate can be made.

Management has assessed its potential liabilities under the standard including sites that are no longer in productive use and sites which the Organization accepts responsibility. There were no such sites that had contamination in excess of an environment standard which required remediation at this time, therefore no liability was recognized on transition as at April 1, 2015 or at March 31, 2016.

2. Cash and Bank

The Organization's bank accounts are held at one chartered bank. In the normal course of operations, the Organization is exposed to credit risk from having bank account balances over the amounts insured by the Canadian Deposit Insurance Corporation.

Riverside Health Care Facilities, Inc.
Notes to Financial Statements

March 31, 2016

3. Accounts Receivable

	2016	2015
Ministry of Health and Long-Term Care	\$ 122,148	\$ 555,298
Insurers and patients	888,427	804,049
Other	1,580,909	2,109,226
	\$ 2,591,484	\$ 3,468,573

4. Inventories

	2016	2015
Medical and surgical supplies	\$ 43,116	\$ 45,694
Drugs	138,259	127,785
Other	80,020	72,176
	\$ 261,395	\$ 245,655

5. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,497,829	\$ -	\$ 1,497,829	\$ 1,497,829
Land improvements	326,971	306,228	20,743	23,027
Buildings and service equipment	52,272,956	28,711,231	23,561,725	25,072,903
Machinery and equipment	14,557,739	11,566,293	2,991,446	3,124,699
Computer software	988,615	790,031	198,584	250,004
	\$69,644,110	\$41,373,783	\$28,270,327	\$ 29,968,462

6. Accounts Payable and Accrued Liabilities

	2016	2015
Trade accounts payable	\$ 1,402,014	\$ 2,068,419
Accrued salaries and benefits	4,571,594	4,158,032
	\$ 5,973,608	\$ 6,226,451

Riverside Health Care Facilities, Inc.
Notes to Financial Statements

March 31, 2016

7. Post-employment Benefits and Compensated Absences

The Organization has an unfunded benefit plan providing retirement and post-employment benefits (excluding pension) to most of its employees. The Organization 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 to which each individual employee belongs.

The Organization measures its accrued benefits obligation for accounting purposes as at March 31st of each year. The latest actuarial valuation was performed in April 2016.

	2016		
	Post-Employment Benefits	Non-Vesting Sick Leave	Total
Accrued employee future benefits obligation	\$ 4,728,400	\$ 69,100	\$ 4,797,500
Unamortized actuarial losses	(294,200)	(14,500)	(308,700)
Total	\$ 4,434,200	\$ 54,600	\$ 4,488,800
	2015		
	Post-Employment Benefits	Non-Vesting Sick Leave	Total
Accrued employee future benefits obligation	\$ 4,677,700	\$ 88,800	\$ 4,766,500
Unamortized actuarial losses	(467,900)	(19,600)	(487,500)
Total	\$ 4,209,800	\$ 69,200	\$ 4,279,000

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

March 31, 2016

7. Post-employment Benefits and Compensated Absences (continued)

	2016		
	Post-Employment Benefits	Non-Vesting Sick Leave	Total Expenses
Current year benefit cost	\$ 250,200	\$ -	\$ 250,200
Interest on accrued benefit obligation	156,500	2,600	159,100
Amortized actuarial losses	45,700	2,800	48,500
Total expenses	\$ 452,400	\$ 5,400	\$ 457,800
Benefit payments	\$ 228,000	\$ 20,000	\$ 248,000
	2015		
	Post-Employment Benefits	Non-Vesting Sick Leave	Total Expenses
Current year benefit cost	\$ 216,600	\$ -	\$ 216,600
Interest on accrued benefit obligation	170,700	3,600	174,300
Amortized actuarial losses	13,900	1,900	15,800
Total expenses	\$ 401,200	\$ 5,500	\$ 406,700
Benefit payments	\$ 244,100	\$ 25,500	\$ 269,600

Riverside Health Care Facilities, Inc.
Notes to Financial Statements

March 31, 2016

7. Post-employment Benefits and Compensated Absences (continued)

Above amounts exclude pension contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), a multi-employer plan, described below:

Retirement Benefits

HOOPP Pension Plan

Substantially all of the full-time employees and some of the part-time employees of the Organization are members of the Healthcare of Ontario Pension Plan (HOOPP). The plan is a multi-employer plan and therefore the Organization's contributions are accounted for as if the plan were a defined contribution plan with the Organization's contributions being expensed in the period they come due. Contributions to the plan during the year by the Organization on behalf of its employees amounted to \$2,000,301 (2015 - \$1,945,245) and are included in the Summary Statement of Operations.

Post-Employment Benefits

The Organization extends post employment life insurance, health and dental benefits to certain employee groups subsequent to their retirement. The Organization recognizes these benefits as they are earned during the employees' tenure of service. The related benefit liability was determined by an actuarial valuation study.

The major actuarial assumptions employed for the valuation are as follows:

- a) Discount rate
The present value as at March 31, 2016, of the future benefits was determined using a discount rate of 3.50% (2015 - 3.25%).
- b) Extended health care costs
Extended health care costs were assumed to increase at a rate of 6.50% for 2016 (2015 - 7.0%) and decrease by annual decrements of 0.25% to an ultimate rate of 5.0%.
- c) Dental costs
Dental costs were assumed to increase at 4.0% per annum in 2016 (2015 - 4.0%).

Riverside Health Care Facilities, Inc.
Notes to Financial Statements

March 31, 2016

7. Post-employment Benefits and Compensated Absences (continued)

Compensated Absences

Non-Vesting Sick Leave

The Organization compensates certain employee groups for any unused sick days they have accumulated upon retirement or death. The employees accrued sick days are paid out at the salary rate in effect at retirement or death. No benefit is payable on termination. The related benefit liability was determined by an actuarial valuation study.

The assumptions used in the valuation of non-vesting sick leave are the Organization's best estimates of expected rates of:

	2016	2015
Wage and salary escalation	1.50 %	1.50 %
Discount rate	3.50 %	3.25 %

8. Deferred Revenue

	2016	2015
Deferred revenue		
Deferred physician recruitment funding	\$ -	\$ 148,518
Deferred contributions related to capital assets	16,636,567	17,553,384
	\$ 16,636,567	\$ 17,701,902

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

Deferred contributions related to capital assets are amortized at the same rate as the corresponding assets are being amortized.

Riverside Health Care Facilities, Inc.
Notes to Financial Statements

March 31, 2016

9. Credit Facilities

Riverside Health Care Facilities, Inc. is party to a short-term credit agreement with a Canadian chartered bank pursuant to which the Organization 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, 2016, was \$NIL (2015 - \$NIL).

10. 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 LHIN/MOHLTC/other agencies liabilities at year end.

11. Investment in Capital Assets

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

	2016	2015
Capital assets	\$ 28,270,327	\$ 29,968,462
Construction in progress	3,063	54,354
Amounts financed by:		
Deferred contributions (Note 8)	(16,636,567)	(17,553,384)
	\$ 11,636,823	\$ 12,469,432

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

	2016	2015
Purchase of capital assets	\$ 555,343	\$ 1,418,785
Amounts funded by deferred contributions	(88,771)	(1,214,500)
Amortization of deferred contributions related to capital assets	1,005,585	887,090
Amortization of capital assets	(2,304,766)	(2,253,575)
	\$ (832,609)	\$ (1,162,200)

Riverside Health Care Facilities, Inc. Notes to Financial Statements

March 31, 2016

12. Financial Instrument Risk Management

Credit Risk

Credit risk is the risk of financial loss to the Organization if a debtor fails to make payments of interest and principal when due. The Organization is exposed to this risk relating to its accounts receivable.

Accounts receivable are primarily due from OHIP, the Ministry of Health and Long-Term Care and patients. Credit risk is mitigated by the financial solvency of the provincial government and the highly diversified nature of the patient population.

The Organization measures its exposure to credit risk based on how long the amounts have been outstanding. An impairment allowance is set up based on the Organization's historical experience regarding collections.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk and equity risk. The Organization is not exposed to significant interest, currency or equity risk as it does not hold any interest bearing investments, does not transact materially in foreign currency or hold equity financial instruments.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet all cash outflow obligations as they come due. The Organization mitigates this risk by monitoring cash activities and expected outflows through extensive budgeting and maintaining minimal non-cash assets.

Financial Instrument Classification

All financial instruments, with the exception of cash and cash equivalents, are recognized at amortized cost.

Cash and cash equivalents are recognized at fair value using Level 1 fair value measurements. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price.

13. 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.

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

For the year ended March 31	2016	2015
Revenue		
Mental Health - Case Management (Schedule 5)	\$ 86,547	\$ 86,526
Mental Health (Schedule 6)	482,673	486,322
Addictions (Schedule 7)	196,112	186,320
Problem Gambling (Schedule 8)	94,819	96,115
Supportive Housing (Schedule 9)	481,426	483,498
Municipal tax	14,400	14,400
Rainycrest - Home for the Aged (Schedule 10)	10,948,218	10,825,639
Community Support Services (Schedule 11)	1,051,468	856,559
	<u>13,355,663</u>	<u>13,035,379</u>
Expenses		
Mental Health - Case Management (Schedule 5)	86,547	86,526
Mental Health (Schedule 6)	482,673	486,322
Addictions (Schedule 7)	196,112	186,320
Problem Gambling (Schedule 8)	94,819	96,115
Supportive Housing (Schedule 9)	481,426	483,498
Municipal tax	14,400	14,400
Rainycrest - Home for the Aged (Schedule 10)	11,377,772	10,930,509
Community Support Services (Schedule 11)	1,052,439	877,646
	<u>13,786,188</u>	<u>13,161,336</u>
Fund balance, end of year	\$ (430,525)	\$ (125,957)

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

For the year ended March 31	2016	2015
Revenue		
Family Violence Counselling Program (Schedule 3)	\$ 146,484	\$ 140,796
Riverside Community Family Violence Service - PARR (Schedule 4)	49,684	35,434
	<u>196,168</u>	<u>176,230</u>
Expenses		
Family Violence Counselling Program (Schedule 3)	146,484	140,796
Riverside Community Family Violence Service - PARR (Schedule 4)	49,684	35,434
	<u>196,168</u>	<u>176,230</u>
Fund balance, end of year	\$ -	\$ -

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

For the year ended March 31	2016	2015
Revenue		
Ministry of Community and Social Services (Note 10)	\$ 143,656	\$ 138,077
Recoveries	2,828	2,719
	146,484	140,796
Expenses		
Salaries	86,213	98,221
Benefits	39,763	23,871
Staff travel	1,206	289
Staff training	3,704	7,994
Professional fees	200	8,242
Supplies	1,647	352
Advertising	524	697
Program administration	12,000	-
Memberships	958	931
Meetings	269	199
	146,484	140,796
Fund balance, end of year	\$ -	\$ -

Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 4 - Riverside Community Family Violence Service - PARR

For the year ended March 31	2016	2015
Revenue		
Ministry of the Attorney General (Note 10)	\$ 47,583	\$ 35,434
Recoveries	2,101	-
	<u>49,684</u>	<u>35,434</u>
Expenses		
Salaries	36,587	26,139
Benefits	8,397	7,495
Supplies and materials	4,700	1,800
	<u>49,684</u>	<u>35,434</u>
Fund balance, end of year	\$ -	\$ -

**Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 5 - Mental Health (Case Management)**

For the year ended March 31	2016	2015
Revenue		
LHIN (Note 10)	\$ 86,547	\$ 86,526
Expenses		
Salaries and wages	32,710	71,748
Benefit contributions	10,860	14,778
Supplies and materials	42,977	-
	86,547	86,526
Fund balance, end of year	\$ -	\$ -

**Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 6 - Mental Health**

For the year ended March 31	2016	2015
Revenue		
LHIN (Note 10)	\$ 482,673	\$ 482,620
Recoveries	-	3,702
	<u>482,673</u>	<u>486,322</u>
Expenses		
Salaries and wages	371,085	372,805
Benefit contributions	92,071	84,063
Supplies and materials	19,517	29,454
	<u>482,673</u>	<u>486,322</u>
Fund balance, end of year	\$ -	\$ -

**Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 7 - Additions**

For the year ended March 31	2016	2015
Revenue		
LHIN (Note 10)	\$ 194,968	\$ 184,968
Recoveries	1,144	1,352
	196,112	186,320
Expenses		
Salaries and wages	137,038	139,447
Benefit contributions	28,094	26,067
Supplies and materials	30,980	20,806
	196,112	186,320
Fund balance, end of year	\$ -	\$ -

**Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 8 - Problem Gambling**

For the year ended March 31	2016	2015
Revenue		
LHIN (Note 10)	\$ 94,819	\$ 94,819
Recoveries	-	1,296
	<u>94,819</u>	<u>96,115</u>
Expenses		
Salaries and wages	76,241	74,862
Benefit contributions	17,783	17,916
Supplies and materials	795	3,337
	<u>94,819</u>	<u>96,115</u>
Fund balance, end of year	\$ -	\$ -

Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 9 - Supportive Housing

For the year ended March 31	2016	2015
Revenue		
LHIN (Note 10)	\$ 467,640	\$ 467,619
Recoveries	13,786	15,879
	<u>481,426</u>	<u>483,498</u>
Expenses		
Salaries and wages	337,386	361,479
Benefit contributions	77,704	78,529
Supplies and materials	66,336	43,490
	<u>481,426</u>	<u>483,498</u>
Fund balance, end of year	\$ -	\$ -

Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 10 - Rainycrest - Home for the Aged

For the year ended March 31	2016	2015
Revenue		
Ministry of Health/LHIN		
- General subsidy	\$ 7,059,217	\$ 7,059,390
- Doctor on-call funding	15,956	16,318
- High intensity needs and lab funding	11,029	4,447
	<u>7,086,202</u>	<u>7,080,155</u>
Resident fees	3,384,150	3,166,278
District Municipalities	172,243	270,668
Handi-van	120,093	116,597
Other	185,530	191,941
	<u>10,948,218</u>	<u>10,825,639</u>
Total revenue		
Expenses		
Operations		
Nursing and personal care		
Nursing administration	203,263	227,727
Nursing personal care	5,937,890	5,725,115
Doctor on-call expenditures	15,949	16,318
Medical director fees	14,957	21,517
RAI coordinator	83,881	79,729
	<u>6,255,940</u>	<u>6,070,406</u>
Total nursing and personal care		
Other operations		
Program and support services	671,447	655,855
Raw food	602,834	557,256
Accommodation		
Housekeeping services	626,105	600,005
Building and property	347,356	389,843
Dietary services	1,128,835	1,082,650
Laundry and linen services	354,922	312,476
General and administrative	802,293	736,054
Facility costs	343,136	326,157
Handi-van	155,944	125,913
High intensity needs and lab costs	9,632	7,743
Bad debts	468	-
	<u>11,298,912</u>	<u>10,864,358</u>
Total expenses before amortization and post-retirement benefits and compensated absences		
Fund balance before amortization and post-retirement benefits and compensated absences		
	<u>(350,694)</u>	<u>(38,719)</u>
Amortization		
Post-retirement benefits and compensated absences	29,660	33,651
	49,200	32,500
	<u>78,860</u>	<u>66,151</u>
Total expenses		
	<u>11,377,772</u>	<u>10,930,509</u>
Fund balance, end of year		
	<u>\$ (429,554)</u>	<u>\$ (104,870)</u>

**Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Schedule 11 - Community Support Services**

For the year ended March 31	2016	2015
Revenue		
LHIN - General subsidy	\$ 435,499	\$ 427,355
- Assisted living	315,354	120,432
- One-time funding	-	81,371
Recoveries and miscellaneous revenue	300,615	227,401
	<u>1,051,468</u>	<u>856,559</u>
Expenses		
Salaries and wages	648,803	561,106
Benefit contributions	192,690	166,939
Building occupancy	6,320	6,696
Equipment	16,991	44,748
Other operating	101,014	33,369
Supplies	49,271	64,788
Program administration	37,350	-
	<u>1,052,439</u>	<u>877,646</u>
Fund balance, end of year	\$ (971)	\$ (21,087)



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Notice To Reader

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

On the basis of information provided by management, we have compiled the Rainycrest - Home for the Aged - Calendar Year Schedule of Riverside Health Care Facilities, Inc. for the year ended December 31, 2015.

We have not performed an audit or a review engagement in respect of the schedule and, accordingly, we express no assurance thereon.

Readers are cautioned that the schedule may not be appropriate for their purposes.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
June 16, 2016

Riverside Health Care Facilities, Inc.
Statement of Revenue and Expenses
Rainycrest - Home for the Aged - Calendar Year Schedule
(Unaudited - See Notice To Reader)

For the year ended December 31	2015	2014
Revenue		
Ministry of Health/LHIN	\$ 7,079,795	\$ 7,241,216
- General subsidy		
- Subsidy due back to LHIN/MOHLTC	(166,503)	(231,393)
- One-time subsidies	-	71,300
- Doctor on-call funding	16,067	16,318
- High intensity needs and lab funding	8,069	8,143
	6,937,428	7,105,584
Resident fees	3,328,276	3,147,153
District Municipalities	196,850	280,018
Handi-van	117,229	122,727
Other	171,300	346,706
Total revenue	10,751,083	11,002,188
Expenses		
Operations		
Nursing and personal care		
Nursing administration	206,994	211,044
Nursing personal care	5,802,608	5,830,646
Doctor on-call expenditures	16,060	16,318
Medical director fee	17,958	17,958
RAI Coordinator	80,238	80,962
Total nursing and personal care	6,123,858	6,156,928
Other operations		
Program and support services	668,961	673,623
Raw food	586,217	555,553
Accommodation		
Housekeeping services	609,311	598,882
Building and property	367,557	390,765
Dietary services	1,132,520	1,069,101
Laundry and linen services	324,111	314,723
General and administrative	656,004	746,222
Facility costs	360,673	404,564
Handi-van	138,737	131,578
High intensity needs and lab costs	10,860	6,400
Total expenses before amortization and post-retirement benefits and compensated absences	10,978,809	11,048,339
Fund balance before amortization and post-retirement benefits and compensated absences	(227,726)	(46,151)
Amortization	28,801	33,750
Post-retirement benefits and compensated absences	45,025	34,875
	73,826	68,625
Total expenses	11,052,635	11,116,964
Deficiency of revenue over expenses	\$ (301,552)	\$ (114,776)

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, 2016, and the Statement of Operations for the Bequest 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 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 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, 2016, 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 the Note 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. and the Ministry of Health and Long-Term Care.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants

Fort Frances, Ontario
June 16, 2016

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

March 31, 2016	Rainycrest Bequest	Rainycrest Residents' Council	Emo Health Centre	Rainy River Health Centre	Rainycrest Residents' Comfort	2016 Total	2015 Total
Assets							
Cash and bank	\$ -	\$ 21,187	\$ 731	\$ 1,153	\$ 113,251	\$ 136,322	\$ 130,698
Short-term investments	-	-	-	-	-	-	-
Due from Riverside Health Care Facilities, Inc.	126,066	-	-	-	-	126,066	125,571
	\$ 126,066	\$ 21,187	\$ 731	\$ 1,153	\$ 113,251	\$ 262,388	\$ 256,269
Liabilities							
Balance	\$ 126,066	\$ 21,187	\$ 731	\$ 1,153	\$ 113,251	\$ 262,388	\$ 256,269

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

For the year ended March 31	2016	2015
Revenue		
Interest	\$ 495	\$ 689
Expenditure	-	-
Excess of revenue over expenditure	495	689
Trust fund balance, beginning of year	125,571	124,882
Trust fund balance, end of year	\$ 126,066	\$ 125,571

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

For the year ended March 31	2016	2015
Revenue		
Beverage sales	\$ 9,897	\$ 7,550
Interest	121	152
Other revenue	115	530
	<u>10,133</u>	<u>8,232</u>
Expenditure		
Beverage purchases	7,222	5,259
Excess of revenue over expenditure	2,911	2,973
Trust fund balance, beginning of year	18,276	15,303
Trust fund balance, end of year	\$ 21,187	\$ 18,276

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

March 31, 2016

Summary of Significant Accounting Policies

Basis of Accounting

Sources of revenue and expenditures are reported on the cash basis of accounting.

**Property, Plant
and Equipment**

Property, plant and equipment are reported as an expenditure on the Statement of Operations in the year of acquisition.

Property, plant and equipment are not capitalized, and accordingly no amortization is recorded.

Inventories

Inventories of supplies are expensed in the year they are acquired.

**Emo Health Centre,
Rainy River Health Centre, and
Rainycrest Residents' Comfort
Trust Funds**

No Statement of Operations is presented for these Trust Funds. The funds held in these Trusts belong to the residents or patients of the applicable facility and are held in non-interest bearing bank accounts in accordance with the requirements of the Ministry of Health and Long-Term Care. Any receipts or payments from the Trust are made on behalf of specific residents or patients and are accounted for as such.