Acclaim Health and Community Care Services

Financial Statements

For the year ended March 31, 2012

Contents

SB Partners

SB Partners
Your Community. Your Accountant.

To the Directors of
Acclaim Health and Community Care Services

Independent Auditors' Report

Report on the Financial Statements

We have audited the balance sheet of Acclaim Health and Community Care Services, as at March 31, 2012, and the statements of changes in net assets, program operations and 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 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.

Auditors' 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 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 judgment, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded by the Organization and we were not able to determine whether any adjustments might be necessary to revenue, excess of receipts over expenditures, assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Acclaim Health and Community Care Services as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

June 11, 2012

SB Partners LLP

Chartered Accountants
Licensed Public Accountants

SB Partners LLP, Chartered Accountants
3600 Billings Court, Suite 301, Burlington, Ontario L7N 3N6
T 905 632 5978 866 823 9990 F 905 632 9068 **sbpartners.ca**

Acclaim Health and Community Care Services

Balance Sheet

March 31, 2012

Assets

	2012	2011 (Note 17)
Current assets		
Cash	$ **972,710**	$ 250,094
Restricted cash (Note 3)	**300,000**	300,000
Short-term investments	**774,856**	459,131
Accounts receivable	**888,291**	881,422
Prepaid expenses	**105,535**	168,860
	3,041,392	2,059,507
Long-term investments (Note 4)	**100,000**	100,000
Accrued pension benefit asset (Note 11)	**74,300**	-
Capital assets (Note 5)	**1,421,834**	1,534,530
	$ **4,637,526**	$ 3,694,037

Liabilities

	2012	2011
Current liabilities		
Accounts payable and accrued liabilities	$ **722,809**	$ 582,123
Deferred income (Note 6)	**104,603**	137,896
	827,412	720,019
Accrued pension liability (Note 11)	**-**	58,900
	827,412	778,919

Net Assets

	2012	2011
Net Assets		
Net assets invested in capital assets	**1,421,834**	1,534,529
Net assets restricted for endowment purposes (Bradley Fund) (Note 4)	**100,000**	100,000
Net assets internally restricted	**33,997**	33,997
Unrestricted net assets	**2,254,283**	1,246,592
	3,810,114	2,915,118
	$ **4,637,526**	$ 3,694,037

Approved on Behalf of the Board

_______________ Director

_______________ Director

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

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Acclaim Health and Community Care Services

Statement of Changes in Net Assets

Year Ended March 31, 2012

	Invested in Capital Assets	Restricted for Endowment Purposes	Internally Restricted Reserves	Unrestricted	Total 2012	Total 2011
Balance, beginning of year	**$ 1,534,529**	**$ 100,000**	**$ 33,997**	**$ 1,246,592**	**$ 2,915,118**	$ 2,959,915
Excess (deficiency) of receipts over expenditures	**(194,543)**	**-**	**-**	**1,089,539**	**894,996**	(44,797)
Investment in capital assets	**81,848**	**-**	**-**	**(81,848)**	**-**	-
Balance, end of year	**$ 1,421,834**	**$ 100,000**	**$ 33,997**	**$ 2,254,283**	**$ 3,810,114**	$ 2,915,118

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

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Acclaim Health and Community Care Services

Statement of Program Operations

Year Ended March 31, 2012

	Fund Type 2 (Note 16)	Fund Type 3 (Note 16)	Total 2012	2011 (Note 17)
Receipts				
Community grants (Note 9)	$ 149,187	$ 21,805	$ 170,992	$ 170,933
Donations	70,009	329,997	400,006	358,159
Fees for service	176,764	12,269,989	12,446,753	11,091,114
Government grants (Note 10)	1,850,406	49,018	1,899,424	1,823,672
Investment income	19,394	-	19,394	31,004
Other income	46,086	151,061	197,147	141,436
	2,311,846	12,821,870	15,133,716	13,616,318
Expenditures				
Salaries	2,218,266	8,406,507	10,624,773	9,800,832
Employee benefits	287,096	1,118,373	1,405,469	1,298,269
Employee pension expense	417,054	274,750	691,804	394,510
Equipment costs	109,939	112,748	222,687	125,839
General expenses	463,949	349,439	813,388	833,639
Occupancy costs	227,834	73,608	301,442	268,455
Office expenses	70,924	76,876	147,800	145,544
Program supplies	89,092	75,465	164,557	152,986
Corporate services allocations (Note 16)	(1,225,934)	1,225,934	-	-
	2,658,220	11,713,700	14,371,920	13,020,074
Excess (deficiency) of receipts before other items	(346,374)	1,108,170	761,796	596,244
Change in the accrued pension assets/liabilities	-	133,200	133,200	(388,900)
Unaccrued special payment to the VONC Plan	-	-	-	(252,141)
Excess (deficiency) of receipts over expenditures	$ (346,374)	$ 1,241,370	$ 894,996	$ (44,797)

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

Acclaim Health and Community Care Services

Statement of Cash Flows

Year Ended March 31, 2012

	2012	2011 (Note 17)
Cash flows from operating activities		
Excess (deficiency) of receipts over expenditures	**$ 894,996**	$ (44,797)
Charges not involving cash		
Amortization	**188,281**	106,102
Net change in accrued pension benefit asset/liability	**(133,200)**	388,900
Loss on disposal of assets	**6,263**	-
	956,340	450,205
Net change in accounts receivable	**(6,869)**	(145,746)
Net change in other current assets	**63,325**	(95,498)
Net change in accounts payable and accrued liabilities	**107,393**	(504,652)
Cash flows from (used in) operating activities	**1,120,189**	(295,691)
Cash flows from investing activities		
Purchase of capital assets	**(81,848)**	(714,378)
Cash flows used in investing activities	**(81,848)**	(714,378)
Net increase (decrease) in cash and cash equivalents	**1,038,341**	(1,010,069)
Cash and cash equivalents, beginning of year	**1,009,225**	2,019,294
Cash and cash equivalents, end of year	**$ 2,047,566**	$ 1,009,225
Cash and cash equivalents consist of:		
Cash	**$ 972,710**	$ 250,094
Restricted cash	**300,000**	300,000
Short-term investments	**774,856**	459,131
	$ 2,047,566	$ 1,009,225

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

1. Purpose of the organization

Acclaim Health and Community Care Services (the "Organization") is a community based health organization dedicated to the provision of quality and cost effective health related services. Services currently provided by the Organization include Nursing, Home and Personal Support, Community Support, Alzheimer Services and Palliative Care Consultation Program.

2. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand, balances with banks and highly liquid short-term investments.

Capital assets and amortization

Capital assets are recorded at cost for purchased assets and at fair market value for donated assets. Amortization is computed over the estimated useful lives of the capital assets on the following basis:

Building	15-40 year straight-line
Office and information technology equipment	4-10 year straight-line
Property and building improvements	5-20 year straight-line
Vehicles	2 year straight-line

Revenue recognition

The accounting for contributions is based on the deferral method. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received. Endowment contributions are recognized as direct increases in net assets. Unrestricted investment income is recognized as revenue when earned.

Employee pension plan

The cost of pension benefits related to employees' current service is computed on an actuarial basis and is charged to income annually. Pension plan assets are valued at fair value for the purposes of calculating the expected return on plan assets. Past service costs resulting from plan amendments are amortized on a straight-line basis over the remaining average service life of active employees at the date of amendments. Actuarial gains (losses) arise from the difference between the actual long-term rate of return on plan assets and the expected long-term rate of return on plan assets for a period or from changes in actuarial assumptions used to determine the accrued benefit obligation.

Income taxes

The Organization is a non-profit organization registered under the Income Tax Act (the "Act") and, as such, under paragraph 149(1)(f), is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Organization must meet certain requirements of the Act. In the opinion of management, these requirements have been met.

2. Significant accounting policies (cont'd.)

Financial instruments

In accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement, along with Section 3861, Financial Instruments - Disclosure and Presentation and Section 4400, Financial Statement Presentation by Not-for-profit Organizations, the Organization classifies all financial instruments as either held-to-maturity, available for sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized costs. Available for sale instruments are measured at fair value with unrealized gains and losses recognized in the statement of changes in net assets. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations.

The Organization has made the following classifications:

- Cash, and cash equivalents are classified as held for trading.
- Accounts receivable are classified as 'loans and receivables' and accounts payable and accrued liabilities are classified as 'other financial liabilities'. These financial instruments are measured at amortized cost.
- Long-term investments are classified as held to maturity and are measured at amortized cost.

The Organization has chosen to apply Canadian Institute of Chartered Accountants ("CICA") 3861 - Financial Instruments - Disclosure and Presentation, in place of CICA 3862, Financial Instruments - Disclosures, and CICA 3863 - Financial Instruments - Presentation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Future accounting standards

The Canadian Accounting Standards Board (AcSB) has recently issued Part III of the CICA Handbook – Accounting (Handbook) as accounting for not-for-profit organizations in the private sector. Part III will include existing standards currently in the ‘4400 series’ of standards in Part V of the Handbook, additional standards and amendments, and new accounting standards for private enterprises to the extent that they would apply to not-for-profit organizations. The AcSB also permits not-for-profit organizations to apply International Financial Reporting Standards which are in Part I of the Handbook. The standards will apply to annual financial statements relating to fiscal years beginning on or after January 1, 2012. The Organization is currently assessing the impact of these accounting standards on its financial statements.

3. Restricted cash

The Organization has an operating line with a credit limit of $300,000. Drawings upon the line of credit bear interest at prime plus 1% per year and are secured under a general security agreement and Scotiabank deposits with a value of $300,000. As at March 31, 2012, no amounts were drawn on this line of credit.

4. Long-term investments

The long-term investment represents an endowment contribution to the Organization. Due to the nature of the endowment contribution, only the income earned on the investment can be used for operations. The contribution has been invested in interest-bearing instruments.

5. Capital assets

	Cost	Accumulated Amortization	2012	2011
Land	**$ 336,723**	**$ -**	**$ 336,723**	$ 336,723
Building	**661,382**	**368,621**	**292,761**	310,863
Office and information technology equipment	**1,001,862**	**297,230**	**704,632**	771,310
Property and building improvements	**265,014**	**177,296**	**87,718**	115,634
	$ 2,264,981	**$ 843,147**	**$ 1,421,834**	$ 1,534,530

6. Deferred income

	2012	2011
Palliative education funding and other	**$ 67,103**	$ 127,988
New Horizons for Seniors Program - Equipment Replacement Funding	**-**	9,908
Ontario Trillium Foundation - dementia training	**37,500**	-
	$ 104,603	$ 137,896

7. Capital disclosures

The Organization considers its capital to be the balance maintained in its net asset balances. The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. Capital is invested under the direction of the Board of Directors with the objective of providing a reasonable rate of return, minimizing risk and ensuring adequate liquid investments are on hand for current cash flow requirements. The Organization is subject to an externally imposed restriction on its investment activities related to the Bradley Fund.

8. Internally restricted reserves

	Balance, Beginning of Year	Preapproved Transfers	Reserve Reductions	Balance End of Year
Lindsay/Werry Educational	$ 23,997	$ -	$ -	$ 23,997
Matthews Library	10,000	-	-	10,000
	$ 33,997	**$ -**	**$ -**	**$ 33,997**

Individual reserve descriptions are as follows:

(a) Lindsay/Werry Educational Reserve

The Lindsay/Werry Educational Reserve was established to provide resources for continuing education needs.

(b) Matthews Library Reserve

The Matthews Library Reserve was established to provide for the ongoing library resources for the Organization.

9. Community grants

Various individuals and service clubs contributed funds to the Organization to assist in the development and operation of programs providing volunteer services, nursing services and alzheimer services.

Community grants are receipts from the United Way in the amount of $170,992 (2011 - $170,933).

Details of amounts received from United Way and the allocations of these amounts to various programs are summarized below.

	Hospice Services	Friendly Visiting Services	Alzheimer Services	Tele-Touch	Total
Burlington and Greater Hamilton	$ -	$ 19,459	$ -	$ 3,989	$ 23,448
Oakville	-	42,536	73,037	16,469	132,042
Milton	7,412	2,426	2,291	1,347	13,476
Halton Hills	-	2,026	-	-	2,026
	$ 7,412	$ 66,447	$ 75,328	$ 21,805	$ 170,992

10. Government grants

The grants from the Mississauga Halton Local Health Integration Network (MH LHIN) provide funding for the ongoing operations of Alzheimer Services, Community Support Services, and the Palliative Care Consultation Program.

	2012	**2011**
MH LHIN	**1,899,424**	1,823,672

11. Pension costs and obligations

Acclaim Health and Community Care Services Pension Plan

Effective October 16, 2006, the Organization created its own pension plan when it ceased membership with VON Canada (VONC) (see Note 12). Similar to the VONC Plan, the plan provides benefits to employees through participation in a contributory, defined benefit plan for all eligible employees. The pension benefits are based on years of pensionable service and final average earnings. The annual funding requirements are determined in consultation with the actuaries to provide long-term stability to the plan.

The plan mirrors the VONC Plan with the addition of a provision that obligates the Organization to make an employee "whole" in the event that pension benefits available to a retiring employee under the new plan are less than what he or she would have received under the VONC Plan.

Effective September 30, 2010, the defined benefit provision of the plan was closed to new members and the services and earnings were frozen for all current plan members as at that date. This event triggered a curtailment resulting in the reduction of the accrued benefit obligation and the recognition of the entire unamortized past service and unamortized actuarial losses. Accordingly, a net curtailment loss of $486,700 was recognized.

An actuarial valuation for funding purposes must be conducted, at a minimum, every three years. The most recent valuation was completed as at September 30, 2011 by Aon Hewitt.

A funding deficit of $449,100 was determined under the assumption that the plan is a going concern which will be funded by continued employer and employee contributions. Aon Hewitt also certified that as at the valuation date, there was a solvency deficit of $338,200 in the plan to be funded over five years.

The defined benefit pension plan assets and obligations were evaluated and measured by Aon Hewitt as at March 31, 2012.

11. Pension costs and obligations (cont'd.)

The following table summarizes the changes in benefit obligation and plan assets of the Organization's defined benefit pension plan:

	2012	2011
Change in benefit obligation		
Benefit obligation, beginning of period	**$ 1,929,900**	$ 2,078,500
Current service cost	**-**	269,400
Interest cost	**108,000**	119,500
Benefits paid	**(135,900)**	(100,700)
Curtailment	**-**	(642,500)
Actuarial loss	**198,800**	205,700
Benefit obligation, end of period	**$ 2,100,800**	$ 1,929,900
Change in plan assets		
Market value of plan assets, beginning of year	**$ 1,876,200**	$ 1,569,100
Actual loss on plan assets	**(71,800)**	(49,700)
Member contributions during the period	**-**	221,300
Employer contributions	**124,300**	236,200
Benefits paid	**(135,900)**	(100,700)
Market value of plan assets, end of period	**$ 1,792,800**	$ 1,876,200
Reconciliation of funded status		
Funded status - deficit	**$ (308,000)**	$ (53,700)
Unamortized net actuarial loss (gain)	**382,300**	(5,200)
Accrued pension benefit asset (obligation)	**$ 74,300**	$ (58,900)

The accrued benefit asset (obligation) related to the pension plan is included in other long-term assets (liabilities).

11. Pension costs and obligations (cont'd.)

Net benefit plan costs: The components of the Organization's net benefit costs are as follows:

	2012	2011
Current service cost	$ -	$ 48,100
Interest cost	**108,000**	119,500
Actual loss on plan assets	**71,800**	49,700
Actuarial loss	**198,800**	205,700
Curtailment loss	**-**	486,700
Elements of employee future benefits costs before adjustments to recognize the long-term nature of employee future benefits	**378,600**	909,700
Adjustments to recognize the long-term nature of employee future benefit costs:		
Difference between expected return and actual return on plan assets for the year	**(188,700)**	(163,800)
Difference between amortization of past service costs for the year and actual plan amendments for the year	**-**	84,900
Difference between actuarial (gains) losses recognized for period and actual actuarial (gains) losses on accrued benefit obligation for the year	**(198,800)**	(205,700)
Net benefit cost recognized	**$ (8,900)**	$ 625,100

The actuarial assumptions used in measuring the Organization's accrued benefit obligation are as follows:

	2012 %	2011 %
Discount rate	**4.80**	5.80
Expected long-term rate of return on plan assets	**5.00**	6.25
Rate of compensation increase	**-**	3.25

Plan assets by asset category are as follows:

	2012 %	2011 %
Asset category		
Equity securities	**62.20**	60.90
Debt securities	**37.80**	37.50
Other	**-**	1.60
	100.00	100.00

Effective October 1, 2010, a defined contribution plan was put into place, in which all members now participate. For the year ended March 31, 2012 the pension expense related to the defined contribution plan was $225,743 (March 31, 2011 - $92,970).

12. Contingent liability

<u>VON Canada Pension Plan</u>

Prior to October 16, 2006, the VON Canada Pension Plan ("VONC Plan") provided benefits to the Organization's eligible employees through participation in a contributory, defined benefit plan. The pension benefits are based on years of pensionable service and final average earnings. The annual funding requirements were determined by VON Canada with the VONC Plan's actuaries.

The Organization ceased its membership with VON Canada effective October 16, 2006 and the Organization's pension benefit contributions to the plan ceased on that date. In October 2010, VON Canada and the Organization agreed to settle the amount of arrears in special payments to the VONC Plan in respect of benefits accrued by plan members employed with the Organization for a total of $742,777.

The latest valuation of the VONC Plan completed as of January 1, 2011 requires future solvency payments as follows:

2013	$	185,748
2014		185,748
2015		185,748
2016		185,748
2017		185,748
Thereafter		724,503
	$	1,653,243

13. Operating lease commitments

Future minimum payments for operating leases that have initial or remaining terms of one year or more consist of the following amounts:

2013	$	156,292
2014		62,473
2015		18,096
2016		2,758
	$	239,619

14. Financial instruments

The Organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

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

15. Charitable annuity

The Organization is the beneficiary of a charitable annuity established in 1984 in the amount of $50,000. The funds are invested with the Investors Group Trust Co. Ltd. under a trust agreement established at the time of the donation. The Organization is entitled to receive the accumulated principal balance of the funds upon the death of the donor. As at March 31, 2012, the fair market value of the funds held under trust is $156,917 (2011 - $151,368). These funds are not reflected in the accounts and will be recorded when received.

16. General information

Funding

Fund Type 2 relates to funding received directly from LHINs and other revenue such as fee-for-service related to LHIN-funded programs, grants and donations. Fund Type 3 relates to revenue received from all other sources.

Corporate Services Allocations

Corporate services are allocated to various departments within the Organization based on each department's proportionate share of operating expenses, with the exception of Pension costs relating to the Acclaim Health Pension Plan.

17. Comparative information

The comparative figures for 2011 have been reclassified where necessary to conform with the 2012 financial statement presentation.