

The Ottawa Rotary Home
Financial Statements
March 31, 2010

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Raymond Chabot Grant Thornton

Auditors' Report

To the Members of
The Ottawa Rotary Home

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We have audited the statement of financial position of The Ottawa Rotary Home as at March 31, 2010 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, The Ottawa Rotary Home derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Home and we were not able to determine whether any adjustments might be necessary to revenues from donations, excess (deficiency) of revenue over expenditures, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue from donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Raymond Chabot Grant Thornton LLP

Chartered Accountants,
Licensed Public Accountants

Ottawa, Canada
June 3, 2010

The Ottawa Rotary Home Revenue and Expenditures

Year ended March 31, 2010

	2010	2009
	\$	\$
Revenue		
Program grants - Government of Ontario (Note 12 and Note 18)	2,424,110	1,580,120
Other service revenue	114,180	49,728
Fees	42,547	21,066
Contributions from Ottawa Rotary Home Foundation	13,380	6,900
Donations	4,167	4,797
Interest and other revenue	39	2,380
	<u>2,598,423</u>	<u>1,664,991</u>
Expenditures		
Advertising	1,164	11,356
Food	58,965	35,867
Furniture	15,114	25,778
Individual support program		5,040
Insurance	21,689	13,980
Interest and bank charges	1,360	1,670
Interest on demand loan	13,380	833
Interest on obligation under capital leases	5,674	
Loss on disposal of capital assets		5,091
Office expenses	6,995	13,682
Professional fees	171,552	44,537
Programs	71,761	90,356
Repairs and maintenance	37,585	24,178
Salaries, benefits and subcontractors	2,025,410	1,185,953
Staff travel	10,805	4,977
Start-up costs of residential facility		71,741
Supplies	58,007	61,188
Telephone	11,549	15,014
Training	15,811	10,461
Utilities	54,244	24,883
Vehicle expenses	3,581	
	<u>2,584,646</u>	<u>1,646,585</u>
Excess of revenue over expenditures before amortizations	13,777	18,406
Amortization of deferred contributions related to capital assets (Note 11)	176,899	23,451
Amortization of capital assets and land lease	(196,696)	(40,675)
Amortization of capital assets under capital lease	(20,995)	
Excess (deficiency) of revenue over expenditures	<u>(27,015)</u>	<u>1,182</u>

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

The Ottawa Rotary Home Changes in Net Assets

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
Balance, beginning of year	1,665,656	324,474
Donation of land		1,340,000
Excess (deficiency) of revenue over expenditures	<u>(27,015)</u>	<u>1,182</u>
Balance, end of year	<u>1,638,641</u>	<u>1,665,656</u>

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

The Ottawa Rotary Home

Cash Flows

Year ended March 31, 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	(27,015)	1,182
Non-cash items		
Amortization of capital assets and land lease	196,696	40,675
Amortization of capital assets under capital lease	20,995	
Amortization of deferred contributions related to capital assets	(176,899)	(23,451)
Loss on disposal of capital assets		5,091
Changes in working capital items		
Accounts receivable	77,359	(42,697)
Construction in progress		649,944
Prepaid expenses	16,635	(20,638)
Due from Ottawa Rotary Home Foundation	(5,482)	2,000
Accounts payable and accrued liabilities	(603,592)	444,931
Deferred contributions		(2,742,872)
Cash flows from operating activities	<u>(501,303)</u>	<u>(1,685,835)</u>
INVESTING ACTIVITIES		
Short-term investments		2,092,889
Acquisition of capital assets	(391,548)	(6,028,820)
Disposal of capital assets	178,846	
Cash flows from investing activities	<u>(212,702)</u>	<u>(3,935,931)</u>
FINANCING ACTIVITIES		
Note receivable	(132,798)	
Obligation under capital lease	89,975	
Repayment of obligation under capital lease	(10,104)	
Demand loan proceeds	427,181	523,843
Repayment of demand loan	(660,000)	
Deferred contributions related to capital assets	465,244	5,437,900
Cash flows from financing activities	<u>179,498</u>	<u>5,961,743</u>
Net increase (decrease) in cash	(534,507)	339,977
Cash, beginning of year	<u>635,833</u>	<u>295,856</u>
Cash, end of year	<u>101,326</u>	<u>635,833</u>

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

The Ottawa Rotary Home Financial Position

March 31, 2010

	2010	2009
	\$	\$
ASSETS		
Current assets		
Cash	101,326	635,833
Short-term investments (Note 4)	80,000	80,000
Accounts receivable	28,722	106,081
Prepaid expenses	4,584	21,219
Due from Ottawa Rotary Home Foundation	5,482	
	<u>220,114</u>	843,133
Note receivable (Note 5)	132,798	
Capital assets (Note 6)	7,719,170	7,723,853
Land lease (Note 7)	14,243	14,549
	<u>8,086,325</u>	<u>8,581,535</u>
LIABILITIES		
Current liabilities		
Demand loan (Note 8)	291,024	523,843
Accounts payable and accrued liabilities	148,619	752,211
Current portion of obligation under capital lease	15,267	
	<u>454,910</u>	1,276,054
Obligation under capital lease (Note 10)	64,604	
Deferred contributions related to capital assets (Note 11)	5,928,170	5,639,825
	<u>6,447,684</u>	6,915,879
UNRESTRICTED NET ASSETS	<u>1,638,641</u>	1,665,656
	<u>8,086,325</u>	<u>8,581,535</u>

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

On behalf of the Board,



Director



Director

The Ottawa Rotary Home

Notes to Financial Statements

March 31, 2010

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Ottawa Rotary Home, incorporated without share capital under the Business Corporations Act of Ontario, operates Respite Care and adult residential programs with funding provided by the Government of Ontario Ministries of Children and Youth Services and of Community and Social Services. The Ottawa Rotary Home is a registered charity and as such, is exempt from income taxes and may issue income tax receipts to donors.

The Ottawa Rotary Home Foundation is a separately incorporated charity with the object of undertaking fundraising activities to provide financial support and assistance to The Ottawa Rotary Home or for financial assistance to physically disabled children and adults. The results of the Foundation are not consolidated with the results of The Ottawa Rotary Home.

2 - ACCOUNTING CHANGES

On April 1, 2009, in accordance with the applicable transitional provisions, the Home applied the recommendations of the Canadian Institute of Chartered Accountants in the introduction to accounting standards that apply only to not-for-profit organizations and several sections in the 4400 series as well as consequential changes to other sections of the *Canadian Institute of Chartered Accountants' Handbook*. These modifications, effective for fiscal years beginning on or after January 1, 2009, affect the following, in particular:

- Inclusion of not-for-profit organizations within the scope of section 1540 "Cash Flow Statements";
- Elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets;
- Amendments to clarify that revenues and expenses must be recognized and presented on a gross basis when the not-for-profit organization is acting as a principal in the transactions in question;
- Inclusion of additional guidance with respect to the appropriate use of scope exemption in Section 4430 "Capital Assets Held by Not-for-profit Organizations", for smaller entities;
- Inclusion of disclosure standards for the not-for-profit organization that classifies its expenses by functions and allocates expenses to a number of functions to which the expenses relate.

As a result of this change, the Home has chosen to no longer show net assets invested in capital assets as a separate component of net assets.

3 - ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared using the historical cost method, except for certain financial instruments that are recognized at fair value. No information on fair value is presented when the carrying amount corresponds to a reasonable approximation of the fair value.

The Ottawa Rotary Home
Notes to Financial Statements
 March 31, 2010

3 - ACCOUNTING POLICIES (Continued)

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to financial statements. These estimates are based on management's best knowledge of current events and actions that the Home may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

The Home has chosen to apply the recommendations of Section 3861, "Financial Instruments – Disclosure and Presentation", of the *Canadian Institute of Chartered Accountants' Handbook* with respect to the presentation and disclosure of financial instruments.

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value .

Subsequently, financial assets and liabilities are measured and recognized as follows.

Held-for-trading financial assets and liabilities

Cash and term deposits are classified as held-for-trading financial assets. They are measured at fair value and changes in fair value are recognized in the statement of revenue and expenditures.

Loans and receivables and other financial liabilities

The note receivable and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and the demand loan are classified as other financial liabilities. These financial instruments are measured at amortized cost using the effective interest method (including any impairment in the case of financial assets). Interest calculated using the effective interest method is presented in the statement of revenue and expenditures.

Capital assets

Capital assets are recorded at cost. When the Home receives capital asset contributions, their cost is equal to their fair value at the contribution date or to a nominal value of \$1 if the fair value cannot be reasonably determined.

Capital assets are amortized over their estimated useful lives according to the straight-line method over the following periods :

	<u>Periods</u>
Buildings	40 years
Furniture and equipment	10 years
Assets under capital lease	
Vehicle	5 years

The Ottawa Rotary Home

Notes to Financial Statements

March 31, 2010

3 - ACCOUNTING POLICIES (Continued)

Revenue recognition

The Home follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. 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.

Fee income is recognized in the year in which it is received and investment income is recorded when it is earned.

Service income is recognized in the year in which the service is performed if the amount to be received can be reasonably estimated and collection is reasonably assured.

4 - SHORT-TERM INVESTMENTS

Short-term available-for-sale investments consist of term deposits with interest rates of 0.001% and maturing from November 2010 to January 2011.

5 - NOTE RECEIVABLE

The note receivable is due from a developer for the reimbursement of shared water main expenses. The note is due to be repaid once the developer breaks ground for a development on the property adjacent to the Home. The Home is uncertain as to when the funds may be collected.

6 - CAPITAL ASSETS

	2010		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	1,340,000		1,340,000
Buildings	6,458,126	464,742	5,993,384
Furniture and equipment	421,115	119,309	301,806
Assets under capital lease			
Vehicle	104,975	20,995	83,980
	<u>8,324,216</u>	<u>605,046</u>	<u>7,719,170</u>

The Ottawa Rotary Home

Notes to Financial Statements

March 31, 2010

6 - CAPITAL ASSETS (Continued)

	2009		
	Cost	Accumulated amortization	Net
	\$	\$	\$
Land	1,340,000		1,340,000
Buildings	6,339,473	303,289	6,036,184
Furniture and equipment	432,041	84,372	347,669
	<u>8,111,514</u>	<u>387,661</u>	<u>7,723,853</u>

7 - LAND LEASE

Land at 30 Rochester Street is leased on a net lease basis from Canada Mortgage and Housing Corporation for a period of 75 years, from June 15, 1981 to June 14, 2056. The total rent for the lease period is \$23,100 which was paid in advance. Accumulated amortization as at March 31, 2010 is \$8,857 (\$8,551 in 2009).

The Ottawa Rotary Home is responsible for utility services and all other costs in respect of the land and building.

8 - DEMAND LOAN

The demand loan is secured by land and construction at 4637 Bank Street and bears interest at the prime rate (2.25% at March 31, 2010 and March 31, 2009).

9 - CREDIT CARD LIMITS

The Home has authorized lines of credit totalling \$20,000 through the use of two corporate credit cards, of which \$5,813 was utilized as at March 31, 2010 (\$18,789 as at March 31, 2009) and has been included in the accounts payable and accrued liabilities.

10 - OBLIGATION UNDER CAPITAL LEASE

Capital lease obligation, interest at 11.502%, payable in blended monthly instalments of \$1,972, maturing in July 2015, secured by a vehicle having an amortized cost of \$83,980 as at March 31, 2010
Instalments due within one year

2010	2009
\$	\$
79,871	
<u>15,267</u>	
<u>64,604</u>	-

The Ottawa Rotary Home

Notes to Financial Statements

March 31, 2010

10 - OBLIGATION UNDER CAPITAL LEASE (Continued)

The instalments on obligations under capital lease for the next 5 years are as follows:

	<u>\$</u>
2011	23,666
2012	23,666
2013	23,666
2014	23,666
2015	<u>6,916</u>
Total minimum lease payments	101,580
Interest expense included in minimum lease payments	<u>21,709</u>
	<u>79,871</u>

11 - DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent unspent resources restricted for capital purposes received in the current year, or previous years, that are related to subsequent years. Changes in the deferred contributions are as follows:

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Balance, beginning of year	5,639,825	225,376
Transfer from deferred contributions		4,940,697
Leitrim Campus	415,000	
Rochester Campus	50,244	497,203
Amortization to revenue	<u>(176,899)</u>	<u>(23,451)</u>
Balance, end of year	<u>5,928,170</u>	<u>5,639,825</u>

12 - ECONOMIC DEPENDENCE

The Ottawa Rotary Home depends primarily on the Government of Ontario for financial support.

13 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS

Financial risk management objectives and policies

The Home is exposed to various financial risks resulting from both its operations and its investment activities. The Home's management manages financial risks.

The Home does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

The Ottawa Rotary Home

Notes to Financial Statements

March 31, 2010

13 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES, AND FINANCIAL RISKS *(Continued)*

Financial risks

The Home's main financial risk exposure and its financial risk management policies are as follows:

Interest rate risk

The Home's investments bear interest at fixed rates. Accordingly, there is limited exposure to interest rate risk.

The demand loan bears interest at a variable rate and the Home is, therefore, exposed to the cash flow risks resulting from interest rate fluctuations.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Home has financing sources such as bank loans for a sufficient authorized amount. The Home establishes budget and cash estimates to ensure it has the necessary funds to fulfil its obligations.

14 - COMMITMENTS

The Company has entered into a long-term lease agreement expiring in March 2013 which calls for lease payments of \$6,747 for the rental of printing equipment. Minimum lease payments for the next four years are \$2,249 from 2011 to 2013.

15 - CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Home's capital management objectives are to ensure that the Home has the ability to continue as a going concern and to meet its financial obligations.

The Home manages its capital mainly by receiving contributions from the Government of Ontario while at the same time controlling expenditures to closely match revenues.

In order to maintain or adjust its capital structure, the Home may have to modify its forecasted expenses for the realization of certain of its activities.

The Home is not subject to any externally imposed capital requirements.

16 - CONTINGENCIES

The Home is contingently liable as guarantor of outstanding letters of credit in favour of the City of Ottawa amounting to \$10,000.

17 - COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

The Ottawa Rotary Home

Notes to Financial Statements

March 31, 2010

18 - PROGRAM REVENUES AND EXPENDITURES

The terms and conditions of the Government of Ontario funding provide that the Ottawa Rotary Home must reimburse any excess of grants paid to it over those expenditures approved for the programs. Further, any over-expenditures are the responsibility of the Ottawa Rotary Home.

The financial results of each program are :

Program	Service Code	Revenue	Expenditures	Net income (loss)
		\$	\$	\$
Children's Respite Program	9255	745,312	745,325	(13)
Children's Respite Program - Individualized funding	9259	87,520	87,468	52
Adult Day Respite Service	8856	54,108	55,199	(1,091)
Adult Day Respite Service - Passport	8885	23,283	24,617	(1,334)
Adult Residential Service	8847	1,194,817	1,176,949	17,868
Children's Complex Special Needs	A510	319,070	319,307	(237)

The Government of Ontario funding guidelines provide that the expenditures reported above are to be adjusted for specific items, which results in an excess of expenditures over revenue, hence no reimbursement to the government is required.