

FINANCIAL STATEMENTS

For

THE OTTAWA ROTARY HOME

For year ended

MARCH 31, 2011

THE OTTAWA ROTARY HOME
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the members of

THE OTTAWA ROTARY HOME

We have audited the accompanying financial statements of The Ottawa Rotary Home, which comprise the statement of financial position as at March 31, 2011 and the statements of operations, changes in net assets 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.

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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Ottawa Rotary Home as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of The Ottawa Rotary Home for the year ended March 31, 2010, were audited by another auditor who expressed a qualified opinion on those statements on June 3, 2010. The previous auditor expressed a qualified audit opinion on the prior year financial statements because they were not able to verify the completeness of the Home's donation revenue.




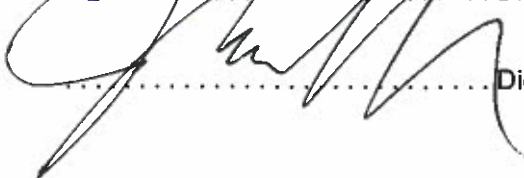
Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 3, 2011.

THE OTTAWA ROTARY HOME
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2011

| | <u>2011</u> | <u>2010</u> |
|-------------------------------------------------------------|----------------------------|----------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 85,169 | \$ 101,326 |
| Short-term investments (note 5) | 60,000 | 80,000 |
| Accounts receivable | 81,731 | 28,722 |
| Prepaid expenses | 4,186 | 4,584 |
| Due from Ottawa Rotary Home Foundation (note 1) | <u>15,441</u> | <u>5,482</u> |
| | 246,527 | 220,114 |
| NOTE RECEIVABLE (note 6) | 132,798 | 132,798 |
| LAND LEASE (note 7) | 13,937 | 14,243 |
| CAPITAL ASSETS (note 8) | <u>7,573,046</u> | <u>7,719,170</u> |
| | <u>\$ 7,966,308</u> | <u>\$ 8,086,325</u> |
| <u>LIABILITIES AND UNRESTRICTED NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Demand loan (note 9) | \$ 47,054 | \$ 291,024 |
| Accounts payable and accrued liabilities | 191,548 | 148,619 |
| Current portion of obligation under capital lease (note 11) | <u>17,119</u> | <u>15,267</u> |
| | 255,721 | 454,910 |
| LONG-TERM LIABILITIES | | |
| Obligation under capital lease (note 11) | 47,485 | 64,604 |
| Deferred contributions related to capital assets (note 12) | <u>6,007,528</u> | <u>5,928,170</u> |
| | <u>6,310,734</u> | <u>6,447,684</u> |
| UNRESTRICTED NET ASSETS | <u>1,655,574</u> | <u>1,638,641</u> |
| | <u>\$ 7,966,308</u> | <u>\$ 8,086,325</u> |

Approved by the Board:

 Director
 Director

(See accompanying notes)

Welch LLP

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THE OTTAWA ROTARY HOME
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2011

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------------------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 1,638,641 | \$ 1,665,656 |
| Excess of revenue over expenses (expenses over revenue) for the year | <u>16,933</u> | <u>(27,015)</u> |
| Balance, end of year | <u>\$ 1,655,574</u> | <u>\$ 1,638,641</u> |

(See accompanying notes)

Welch LLP

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**THE OTTAWA ROTARY HOME
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2011**

| | <u>2011</u> | <u>2010</u> |
|------------------------------------------------------------------|------------------|--------------------|
| Revenue | | |
| Program grants - Government of Ontario (note 14 and 19) | \$ 2,538,875 | \$ 2,424,110 |
| Other service revenue (note 13) | 220,854 | 114,180 |
| Fees | 94,166 | 42,547 |
| Contributions from Ottawa Rotary Home Foundation (note 13) | 4,512 | 13,380 |
| Donations | - | 4,167 |
| Interest and other revenue | 450 | 39 |
| | <u>2,858,857</u> | <u>2,598,423</u> |
| Expenses | | |
| Salaries, benefits and subcontractors | 2,360,509 | 2,025,410 |
| Food | 65,034 | 58,965 |
| Supplies | 29,855 | 58,007 |
| Professional fees | 96,308 | 171,552 |
| Programs | 12,755 | 71,761 |
| Training | 12,168 | 15,811 |
| Staff travel | 10,413 | 10,805 |
| Office expenses | 26,307 | 6,995 |
| Furniture | 13,069 | 15,114 |
| Advertising | 1,199 | 1,164 |
| Vehicle expenses | 6,172 | 3,581 |
| Repairs and maintenance | 59,683 | 37,585 |
| Insurance | 24,402 | 21,689 |
| Telephone | 11,895 | 11,549 |
| Utilities | 51,407 | 54,244 |
| Interest on obligation under capital leases | 8,399 | 5,674 |
| Interest on demand loan | 4,497 | 13,380 |
| Interest and bank charges | 2,206 | 1,360 |
| | <u>2,796,278</u> | <u>2,584,646</u> |
| Excess of revenue over expenses before amortization | 62,579 | 13,777 |
| Amortization of deferred contributions related to capital assets | 180,031 | 176,899 |
| Amortization of capital assets and land lease | (204,682) | (196,696) |
| Amortization of capital assets under capital lease | <u>(20,995)</u> | <u>(20,995)</u> |
| Excess of revenue over expenses (expenses over revenue) | <u>\$ 16,933</u> | <u>\$ (27,015)</u> |

(See accompanying notes)

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**THE OTTAWA ROTARY HOME
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2011**

| | <u>2011</u> | <u>2010</u> |
|----------------------------------------------------------------------|----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Excess of revenue over expenses (expenses over revenue) for the year | \$ 16,933 | \$ (27,015) |
| Adjustments for: | | |
| Amortization of capital assets and land lease | 204,682 | 196,696 |
| Amortization of capital assets under capital lease | 20,995 | 20,995 |
| Amortization of deferred contributions related to capital assets | <u>(180,031)</u> | <u>(176,899)</u> |
| | 62,579 | 13,777 |
| Changes in level of: | | |
| Accounts receivable | (53,009) | 77,359 |
| Prepaid expenses | 398 | 16,635 |
| Due from Ottawa Rotary Home Foundation | (9,959) | (5,482) |
| Accounts payable and accrued liabilities | <u>42,929</u> | <u>(603,592)</u> |
| | <u>42,938</u> | <u>(501,303)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from disposition of short-term investments | 20,000 | - |
| Acquisition of capital assets | (79,247) | (391,548) |
| Disposal of capital assets | <u>-</u> | <u>178,846</u> |
| | <u>(59,247)</u> | <u>(212,702)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Note receivable | - | (132,798) |
| Increase in (repayment of) obligation under capital lease | (15,267) | 79,871 |
| Demand loan proceeds | - | 427,181 |
| Repayment of demand loan | (243,970) | (660,000) |
| Increase in deferred contributions related to capital assets | <u>259,389</u> | <u>465,244</u> |
| | <u>152</u> | <u>179,498</u> |
| DECREASE IN CASH | (16,157) | (534,507) |
| CASH, BEGINNING OF YEAR | <u>101,326</u> | <u>635,833</u> |
| CASH, END OF YEAR | <u>\$ 85,169</u> | <u>\$ 101,326</u> |
| <hr/> | | |
| Supplementary information: | | |
| Interest paid in the year | \$ 12,896 | \$ 19,054 |

(See accompanying notes)

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THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2011

1. NATURE OF OPERATIONS

The Ottawa Rotary Home, incorporated without share capital under the Business Corporations Act of Ontario, operates Respite Care and adult residential programs to improve the quality of life of caregivers and individuals with disabilities through a family centered approach that is responsive to individual needs and offered in a dynamic and flexible way. Funding is 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 tax receipts to donors.

The Ottawa Rotary Home Foundation is a separately incorporated charity with the objective 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.

The amount due from The Ottawa Rotary Home Foundation is non-interest bearing and has no specified terms of repayment.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Home follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Restricted contributions with respect to the acquisition of capital assets that are amortized are deferred and amortized to revenue on the same basis as the related capital asset is amortized to expense. Restricted contributions with respect to the acquisition of capital assets that are not amortized are recognized as direct increases in net assets. 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. Unrestricted investment income is recognized as revenue when earned.

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.

Capital assets

Capital assets are stated at acquisition 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.

Amortization is based on the estimated useful life of the asset using straight-line method at the following rates:

| | |
|-------------------------|----------|
| Buildings | 40 years |
| Furniture and equipment | 10 years |
| Vehicles | 5 years |

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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 short-term investments 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, accounts receivable and due from Ottawa Rotary Home Foundation 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 expenses.

Contributed services

Members contribute many hours each year to assist the organization. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

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 reporting period. Actual results could differ from these estimates.

3. FUTURE ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT SECTOR

The Accounting Standards Board of the Canadian Institute of Chartered Accountants recently approved a financial reporting framework designed specifically to meet the needs of users of financial statements prepared by not-for-profit organizations. Not-for-profit organizations are also given the option to adopt International Financial Reporting Standards (IFRS) instead of the new not-for-profit accounting standards. One of these new frameworks must be applied by the organization by its March 31, 2013 fiscal year-end and the organization is permitted to adopt these standards earlier, if desired. Management is currently evaluating the impact of these new reporting frameworks on their financial statements.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2011

4. FINANCIAL INSTRUMENTS

The Home's financial instruments consist of cash, short-term investments, accounts receivable, due from Ottawa Rotary Home Foundation, demand loan, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value unless otherwise noted.

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.

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

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 determine that it has the necessary funds to fulfil its obligations.

Credit risk

The Home is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Home's maximum exposure to credit risk represents the sum of carrying value of its cash, short-term investments, accounts receivable, note receivable and amount due from the Ottawa Rotary Home Foundation. Management believes that the Home's credit risk with respect to their financial instruments is limited.

Currency risk

The organization operates primarily in Canadian dollars and is not exposed to significant currency risk.

5. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2011 are comprised of the following Guaranteed Investment Certificates:

| <u>Maturity date</u> | <u>Interest rate</u> | <u>Amount</u> |
|----------------------|----------------------|------------------|
| June 3, 2011 | 0.30 % | \$ 30,000 |
| June 3, 2011 | 0.30 % | <u>30,000</u> |
| | | <u>\$ 60,000</u> |

The Home's policy is to invest in commercial paper with a rating of R-1 Medium or higher, and bonds that are rated by the Canadian Bond Rating Service as A or better. Investments are managed by the Executive Director and Treasurer in consultation with the Board of Directors.

6. 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.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2011

7. LAND LEASE

Land at 30 Rochester Street is leased on a net 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, 2011 is \$9,163 (2010 - \$8,857). The Home is responsible for utility services and all other costs in respect of the land and building.

8. CAPITAL ASSETS

Capital assets consist of the following:

| | <u>2011</u> | | <u>2010</u> | |
|--------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Cost</u> | <u>Accumulated amortization</u> |
| Land | \$ 1,340,000 | \$ - | \$ 1,340,000 | \$ - |
| Building | 6,537,373 | 627,164 | 6,458,126 | 464,742 |
| Furniture and equipment | 421,115 | 161,263 | 421,115 | 119,309 |
| Vehicle | 104,975 | 41,990 | 104,975 | 20,995 |
| | <u>8,403,463</u> | <u>\$ 830,417</u> | <u>8,324,216</u> | <u>\$ 605,046</u> |
| Accumulated amortization | <u>830,417</u> | | <u>605,046</u> | |
| | <u>\$ 7,573,046</u> | | <u>\$ 7,719,170</u> | |

9. DEMAND LOAN

The demand loan is secured by land and building at 4637 Bank Street and bears interest at prime (3% at March 31, 2011 and 2.25% at March 31, 2010).

10. CREDIT CARDS LIMITS

The Home has authorized lines of credit totaling \$20,000 through the use of two corporate credit cards, of which \$3,870 was utilized as at March 31, 2011 (\$5,813 as at March 31, 2010) and has been included in accounts payable and accrued liabilities.

11. CAPITAL LEASE OBLIGATION

| | <u>2011</u> | <u>2010</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Capital lease obligation, interest at 11.502%, payable in blended monthly installments of \$1,972, maturing in July 2015, secured by a vehicle having a net book value of \$62,985 as at March 31, 2011. | \$ 64,604 | \$ 79,871 |
| Installments due within one year | <u>17,119</u> | <u>15,267</u> |
| | <u>\$ 47,485</u> | <u>\$ 64,604</u> |

The installments on the obligation under capital lease are as follows:

| | |
|-----------------------------------------------------------|------------------|
| 2012 | \$ 23,666 |
| 2013 | 23,666 |
| 2014 | 23,666 |
| 2015 | <u>6,916</u> |
| | 77,914 |
| Less: Interest expense included in minimum lease payments | <u>13,310</u> |
| Balance of obligation | <u>\$ 64,604</u> |

Amortization on the vehicle under capital lease was \$20,995 in the year(2010 - \$20,995).

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2011

12. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent restricted contributions received from the Ontario Ministry of Community and Social Services (MCSS) and from donors, with which the capital assets were originally purchased. The changes in the deferred contributions balance for the year are as follows:

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|---------------------|---------------------|
| Balance, beginning of the year | \$ 5,928,170 | \$ 5,639,825 |
| Add: Contributions for Leitrim Campus | 222,411 | 415,000 |
| Contributions for Rochester Campus | 36,978 | 50,244 |
| Less: Amortization to revenue | <u>(180,031)</u> | <u>(176,899)</u> |
| Balance, end of year | <u>\$ 6,007,528</u> | <u>\$ 5,928,170</u> |

13. CONTRIBUTIONS FROM THE OTTAWA ROTARY HOME FOUNDATION

The amounts received from the Ottawa Rotary Home Foundation for the year are summarized as follows:

| | |
|---------------------------------------------------------------|-------------------|
| Revenues: | |
| Adult respite - overnight (included in other service revenue) | \$ 41,558 |
| Interest on construction loan | <u>4,512</u> |
| | 46,070 |
| Deferred contributions related to capital assets: | |
| Contributions for Leitrim Campus | 170,000 |
| Contributions for pergula | <u>15,045</u> |
| | <u>\$ 231,115</u> |

14. ECONOMIC DEPENDENCE

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

15. CAPITAL DISCLOSURES

The Home defines its capital as its unrestricted net assets and its externally restricted contributions which are classified as deferred contributions in the statement of financial position. The Home's objectives with respect to managing capital are to comply with the externally imposed restrictions and hold sufficient unrestricted net assets to fund ongoing operations. The Home monitors its capital requirements and objectives through its budgeting process, its financial statement review process and review of the terms and conditions contained in its funding agreements. Management believes that the organization has adhered to all externally imposed restrictions.

16. COMMITMENTS

The Home has entered into a long-term lease agreement expiring in March 2013 which calls for lease payments of \$2,249 per year for the rental of printing equipment.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2011

17. CONTINGENCIES

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

18. COMPARATIVE FIGURES

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

Comparative figures were audited by another auditor.

19. PROGRAM REVENUES AND EXPENSES

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 expenses approved for the programs. Furthermore, any losses are the responsibility of the Ottawa Rotary Home.

The financial results of each program are:

| <u>Program</u> | <u>Service Code</u> | <u>Revenue</u> | <u>Expenses</u> | <u>Net income (loss)</u> |
|-----------------------------------------------------|---------------------|---------------------|---------------------|--------------------------|
| Children's Respite Program | 9255 | \$ 745,312 | \$ 745,540 | \$ (228) |
| Children's Respite Program - Individualized funding | 9259 | 105,520 | 106,315 | (795) |
| Adult Day Respite Service | 8856 | 54,015 | 54,895 | (880) |
| Adult Day Respite Service - Passport | 8885 | 23,283 | 23,312 | (29) |
| Adult Residential Service | 8847 | 1,291,445 | 1,290,510 | 935 |
| Children's Complex Special Needs | A510 | <u>319,300</u> | <u>320,181</u> | <u>(881)</u> |
| | | <u>\$ 2,538,875</u> | <u>\$ 2,540,753</u> | <u>\$ (1,878)</u> |

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 expenses over revenue, hence no reimbursement of the government is required.