

FINANCIAL STATEMENTS

For

THE OTTAWA ROTARY HOME

For year ended

MARCH 31, 2012

**THE OTTAWA ROTARY HOME
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2012**

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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, 2012 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, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



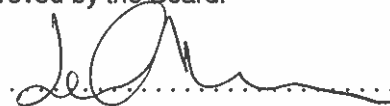

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 14, 2012.

THE OTTAWA ROTARY HOME
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2012

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 297,245	\$ 85,169
Short-term investments (note 5)	60,180	60,000
Accounts receivable	35,552	81,731
Prepaid expenses	16,980	4,186
Due from Ottawa Rotary Home Foundation (note 1)	<u>8,399</u>	<u>15,441</u>
	418,356	246,527
NOTE RECEIVABLE	-	132,798
LAND LEASE (note 6)	13,631	13,937
CAPITAL ASSETS (note 7)	<u>7,396,797</u>	<u>7,573,046</u>
	<u>\$ 7,828,784</u>	<u>\$ 7,966,308</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Demand loan	\$ -	\$ 47,054
Accounts payable and accrued liabilities	155,507	191,548
Current portion of obligation under capital lease (note 9)	<u>19,195</u>	<u>17,119</u>
	174,702	255,721
LONG-TERM LIABILITIES		
Obligation under capital lease (note 9)	28,290	47,485
Deferred contributions related to capital assets (note 10)	<u>5,916,298</u>	<u>6,007,528</u>
	<u>6,119,290</u>	<u>6,310,734</u>
UNRESTRICTED NET ASSETS	<u>1,709,494</u>	<u>1,655,574</u>
	<u>\$ 7,828,784</u>	<u>\$ 7,966,308</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, 2012**

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 1,655,574	\$ 1,638,641
Excess of revenue over expenses for the year	<u>53,920</u>	<u>16,933</u>
Balance, end of year	<u>\$ 1,709,494</u>	<u>\$ 1,655,574</u>

(See accompanying notes)

Welch LLP

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**THE OTTAWA ROTARY HOME
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
Revenue		
Program grants - Government of Ontario (note 12 and 15)	\$ 2,779,698	\$ 2,538,875
Fee for service	206,610	206,967
Other service revenue	121,978	108,053
Interest and other revenue	<u>2,172</u>	<u>4,962</u>
	<u>3,110,458</u>	<u>2,858,857</u>
Expenses		
Salaries, benefits and subcontractors	2,520,211	2,360,509
Food	71,123	65,034
Supplies	45,812	34,014
Professional fees	95,534	72,842
Programs	34,284	25,091
Training	13,789	12,168
Travel	13,994	11,425
Office expenses	30,194	35,533
Vehicle expenses	8,890	6,172
Repairs and maintenance	99,549	72,753
Insurance	22,082	24,402
Telephone	12,125	11,895
Utilities	49,459	51,545
Interest	<u>6,338</u>	<u>12,895</u>
	<u>3,023,384</u>	<u>2,796,278</u>
Excess of revenue over expenses before amortization	87,074	62,579
Amortization of deferred contributions related to capital assets	185,308	180,031
Amortization of capital assets and land lease	(197,467)	(204,682)
Amortization of capital assets under capital lease	<u>(20,995)</u>	<u>(20,995)</u>
Excess of revenue over expenses	<u>\$ 53,920</u>	<u>\$ 16,933</u>

(See accompanying notes)

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**THE OTTAWA ROTARY HOME
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2012**

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 53,920	\$ 16,933
Adjustments for:		
Amortization of capital assets and land lease	197,467	204,682
Amortization of capital assets under capital lease	20,995	20,995
Amortization of deferred contributions related to capital assets	<u>(185,308)</u>	<u>(180,031)</u>
	87,074	62,579
Changes in level of:		
Accounts receivable	46,179	(53,009)
Prepaid expenses	(12,794)	398
Due from Ottawa Rotary Home Foundation	7,042	(9,959)
Accounts payable and accrued liabilities	<u>(36,041)</u>	<u>42,929</u>
	<u>91,460</u>	<u>42,938</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposition of short-term investments	60,000	20,000
Purchase of short-term investments	(60,180)	-
Purchase of capital assets	<u>(41,907)</u>	<u>(79,247)</u>
	<u>(42,087)</u>	<u>(59,247)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of note receivable	132,798	-
Repayment of obligation under capital lease	(17,119)	(15,267)
Repayment of demand loan	(47,054)	(243,970)
Increase in deferred contributions related to capital assets	<u>94,078</u>	<u>259,389</u>
	<u>162,703</u>	<u>152</u>
 INCREASE (DECREASE) IN CASH	212,076	(16,157)
 CASH, BEGINNING OF YEAR	<u>85,169</u>	<u>101,326</u>
 CASH, END OF YEAR	<u>\$ 297,245</u>	<u>\$ 85,169</u>
<hr/>		
Supplementary information:		
Interest paid in the year	<u>\$ 6,338</u>	<u>\$ 12,896</u>

(See accompanying notes)

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THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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 purchase 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 purchase 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, 2012

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

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. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

The estimated useful life of capital assets, net realizable value of accounts receivable and the amount of accrued liabilities are the most significant items where estimates are used.

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

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards (IFRSs) or GAAP for not-for-profit organizations. The Home intends to adopt GAAP for not-for-profit organizations effective January 1, 2012.

4. FINANCIAL INSTRUMENTS

The Home's financial instruments consist of cash, short-term investments, accounts receivable, due from Ottawa Rotary Home Foundation, capital lease obligations, and accounts payable and accrued liabilities. The Home's cash and short term investments are recorded at their fair values in the financial statements. All other financial instruments are recorded at their amortized costs.

The fair values of the Home's current financial assets and liabilities approximate their carrying values due to their short term nature.

Interest rate risk

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.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2012

4. FINANCIAL INSTRUMENTS - Cont'd.

Credit risk

The Home is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. It carries out, on a continuing basis, a review of outstanding amounts and maintains provisions for uncollectible amounts. The Home does not believe there are any significant concentrations of credit risk.

The carrying value of its cash, short-term investments, accounts receivable, and amount due from the Ottawa Rotary Home Foundation. The maximum exposure to credit risk at March 31, 2012 is \$401,000 (2011 - \$242,000).

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, 2012 are comprised of the following Guaranteed Investment Certificates:

<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
June 4, 2012	1.05 %	\$ 30,090
June 4, 2012	1.05 %	<u>30,090</u>
		<u>\$ 60,180</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. 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, 2012 is \$9,469 (2011 - \$9,163). The Home is responsible for utility services and all other costs in respect of the land and building.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2012

7. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 1,340,000	\$ -	\$ 1,340,000	\$ -
Building	6,574,752	791,150	6,537,373	627,164
Furniture and equipment	425,643	194,438	421,115	161,263
Vehicle	<u>104,975</u>	<u>62,985</u>	<u>104,975</u>	<u>41,990</u>
	8,445,370	<u>\$ 1,048,573</u>	8,403,463	<u>\$ 830,417</u>
Accumulated amortization	<u>1,048,573</u>		<u>830,417</u>	
	<u>\$ 7,396,797</u>		<u>\$ 7,573,046</u>	

8. CREDIT CARDS LIMITS

The Home has authorized lines of credit totaling \$20,000 through the use of two corporate credit cards, of which \$11,755 was utilized as at March 31, 2012 (\$3,870 as at March 31, 2011) and has been included in accounts payable and accrued liabilities.

9. CAPITAL LEASE OBLIGATION

	<u>2012</u>	<u>2011</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 \$41,990 as at March 31, 2012.	\$ 47,485	\$ 64,604
Installments due within one year	<u>19,195</u>	<u>17,119</u>
	<u>\$ 28,290</u>	<u>\$ 47,485</u>

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

2013	\$ 23,666
2014	23,666
2015	<u>6,916</u>
	54,248
Less: Interest expense included in minimum lease payments	<u>6,763</u>
Balance of obligation	<u>\$ 47,485</u>

Amortization on the vehicle under capital lease was \$20,995 in the year (2011 - \$20,995).

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2012

10. 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>2012</u>	<u>2011</u>
Balance, beginning of the year	\$ 6,007,528	\$ 5,928,170
Add: Contributions for Leitrim Campus	94,078	222,411
Contributions for Rochester Campus	-	36,978
Less: Amortization to revenue	<u>(185,308)</u>	<u>(180,031)</u>
Balance, end of year	<u>\$ 5,916,298</u>	<u>\$ 6,007,528</u>

11. 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)	\$ 76,541
Interest and other	<u>2,881</u>
	79,422
Deferred contributions related to capital assets:	
Contributions for Leitrim Campus	<u>95,118</u>
	<u>\$ 174,540</u>

12. ECONOMIC DEPENDENCE

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

13. 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.

14. COMMITMENTS

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

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

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2012

15. 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	\$ 765,921	\$ (20,609)
Children's Respite Program - Individualized funding	9259	105,520	113,633	(8,113)
Adult Day Respite Service	8856	141,787	144,634	(2,847)
Adult Residential Service	8847	1,467,779	1,469,084	(1,305)
Children's Complex Special Needs	A510	<u>319,300</u>	<u>325,588</u>	<u>(6,288)</u>
		<u>\$ 2,779,698</u>	<u>\$ 2,818,860</u>	<u>\$ (39,162)</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.

16. COMPARATIVE FIGURES

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