

FINANCIAL STATEMENTS

For

THE OTTAWA ROTARY HOME

For years ended

MARCH 31, 2013 AND 2012

**THE OTTAWA ROTARY HOME
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2013 AND 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, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 accounting standards for 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 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, 2013, March 31, 2012 and April 1, 2011, and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Welch LLP

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 13, 2013.

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THE OTTAWA ROTARY HOME
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013, MARCH 31, 2012 AND APRIL 1, 2011

	<u>Mar. 31,</u> <u>2013</u>	<u>Mar. 31,</u> <u>2012</u>	<u>Apr. 1,</u> <u>2011</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash	\$ 164,957	\$ 297,245	\$ 85,169
Short-term investments (note 5)	80,814	60,180	60,000
Accounts receivable	59,354	23,659	40,493
Government remittances receivable	28,348	11,893	41,238
Prepaid expenses	4,770	16,980	4,186
Due from Ottawa Rotary Home Foundation (note 1)	<u>63,182</u>	<u>8,399</u>	<u>15,441</u>
	401,425	418,356	246,527
NOTE RECEIVABLE	-	-	132,798
LAND LEASE (note 6)	13,325	13,631	13,937
CAPITAL ASSETS (note 7)	<u>7,315,690</u>	<u>7,396,797</u>	<u>7,573,046</u>
	<u>\$ 7,730,440</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	137,560	119,988	125,746
Government remittances payable	35,091	35,519	65,802
Current portion of obligation under capital lease (note 9)	<u>17,253</u>	<u>19,195</u>	<u>17,119</u>
	189,904	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>5,758,995</u>	<u>5,916,298</u>	<u>6,007,528</u>
	<u>5,948,899</u>	<u>6,119,290</u>	<u>6,310,734</u>
UNRESTRICTED NET ASSETS	<u>1,781,541</u>	<u>1,709,494</u>	<u>1,655,574</u>
	<u>\$ 7,730,440</u>	<u>\$ 7,828,784</u>	<u>\$ 7,966,308</u>

Approved by the Board:


..... Director

..... Director

(See accompanying notes)

THE OTTAWA ROTARY HOME
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Revenue		
Program grants - Government of Ontario (note 12 and 14)	\$ 2,957,362	\$ 2,779,698
Fee for service	194,287	206,610
Other service revenue (note 11)	151,259	121,978
Contributions from Ottawa Rotary Home Foundation (note 11)	40,000	-
Interest and other revenue	<u>4,596</u>	<u>2,172</u>
	<u>3,347,504</u>	<u>3,110,458</u>
Expenses		
Salaries, benefits and subcontractors	2,795,448	2,520,211
Food	69,977	71,123
Supplies	23,777	45,812
Professional fees	16,655	95,534
Programs	36,279	34,284
Training	15,366	13,789
Travel	9,077	13,994
Office expenses	33,625	30,194
Vehicle expenses	7,418	8,890
Repairs and maintenance	136,093	99,549
Insurance	22,664	22,082
Telephone	11,294	12,125
Utilities	59,656	49,459
Interest	<u>4,565</u>	<u>6,338</u>
	<u>3,241,894</u>	<u>3,023,384</u>
Excess of revenue over expenses before amortization	105,610	87,074
Amortization of deferred contributions related to capital assets	186,735	185,308
Amortization of capital assets and land lease	(199,303)	(197,467)
Amortization of capital assets under capital lease	<u>(20,995)</u>	<u>(20,995)</u>
Excess of revenue over expenses	72,047	53,920
Net assets, beginning of year	<u>1,709,494</u>	<u>1,655,574</u>
Net assets, end of year	<u>\$ 1,781,541</u>	<u>\$ 1,709,494</u>

(See accompanying notes)

THE OTTAWA ROTARY HOME
STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 72,047	\$ 53,920
Adjustments for:		
Amortization of capital assets and land lease	199,303	197,467
Amortization of capital assets under capital lease	20,995	20,995
Amortization of deferred contributions related to capital assets	<u>(186,735)</u>	<u>(185,308)</u>
	105,610	87,074
Changes in level of:		
Accounts receivable	(35,695)	16,834
Prepaid expenses	12,210	(12,794)
Due from Ottawa Rotary Home Foundation	(54,783)	7,042
Government remittances receivable	(16,455)	29,345
Accounts payable and accrued liabilities	17,572	(5,758)
Government remittances payable	<u>(428)</u>	<u>(30,283)</u>
	<u>28,031</u>	<u>91,460</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposition of short-term investments	60,180	60,000
Purchase of short-term investments	(80,814)	(60,180)
Purchase of capital assets	<u>(138,885)</u>	<u>(41,907)</u>
	<u>(159,519)</u>	<u>(42,087)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of note receivable	-	132,798
Repayment of obligation under capital lease	(30,232)	(17,119)
Repayment of demand loan	-	(47,054)
Increase in deferred contributions related to capital assets	<u>29,432</u>	<u>94,078</u>
	<u>(800)</u>	<u>162,703</u>
 INCREASE (DECREASE) IN CASH	(132,288)	212,076
 CASH, BEGINNING OF YEAR	<u>297,245</u>	<u>85,169</u>
 CASH, END OF YEAR	<u>\$ 164,957</u>	<u>\$ 297,245</u>

(See accompanying notes)

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013 AND 2012

1. NATURE OF OPERATIONS

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

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

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2012, the Home adopted the requirements for the Canadian Institute of Chartered Accountants (CICA) Handbook - *Accounting, Canadian accounting standards for not-for-profit organizations (ASNFPPO)*. These are the Home's first financial statements prepared in accordance with the accounting standards for not-for-profit organizations and these standards have been applied retrospectively. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended March 31, 2012 and in the preparation of an opening statement of financial position as at April 1, 2011 (the Home's date of transition).

The Home had previously issued financial statements for the year ended March 31, 2012 using a different accounting framework known as the Canadian generally accepted accounting principles. The adoption of ASNFPPO had no impact on the previously reported assets, liabilities, net assets, revenues and expenses of the Home and accordingly no adjustments have been recorded to the comparative financial statements. Certain disclosures have been added to these financial statements to comply with the new ASNFPPO disclosure requirements.

3. 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.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Measurement of financial instruments

Cash and investments are initially recognized and subsequently measured at fair value.

All other financial instruments are subsequently measured at amortized cost.

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:

Building	40 years
Furniture and equipment	10 years
Vehicle	5 years

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 accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

Management makes accounting estimates when determining the estimated useful life of the Home's capital assets and the related amortization expense, the net realizable value of accounts receivable and in the determination of significant accrued liabilities. Actual results could differ from these estimates.

4. FINANCIAL INSTRUMENTS

The Home is exposed to various risks through its financial instruments. The following analysis provides a measure of the Home's risk exposure and concentrations at March 31, 2013, March 31, 2012 and April 1, 2011.

The Home does not use derivative financial instruments to manage its risks.

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 is the carrying value of its cash, investments and its accounts receivable. The Home's cash is deposited with a Canadian chartered bank and investments are government issued as a result management believes the risk of loss on those items to be remote. The Home manages the credit risk of accounts receivable by reviewing monthly aged accounts receivable balances and following up on outstanding amounts. Management believes that all accounts receivable at year end will be collected.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

4. FINANCIAL INSTRUMENTS - Cont'd.

Liquidity risk

Liquidity risk is the risk that the Home cannot meet a demand for cash or fund its obligations as they become due. The Home meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Home's financial instruments are all denominated in Canadian dollars and the Home transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Home manages its interest rate risk exposure through its investment in guaranteed investment certificates which provides fixed rates of interest. As such, the Home's exposure to interest rate risk is minimal.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Home is not exposed to other price risk.

Changes in risk

There have been no changes in the Home's risk exposures from the prior year.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

5. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2013 are comprised of the following Guaranteed Investment Certificates:

<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
June 4, 2013	1.00 %	\$ 30,407
June 4, 2013	1.00 %	30,407
October 21, 2013	1.00 %	<u>20,000</u>
		<u>\$ 80,814</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, 2013 is \$9,775 (2012 - \$9,469). The Home is responsible for utility services and all other costs in respect of the land and building.

7. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Land	\$ 1,340,000	\$ -	\$ 1,340,000	\$ -
Building	6,700,137	956,821	6,574,752	791,150
Furniture and equipment	425,643	227,764	425,643	194,438
Vehicle	<u>118,475</u>	<u>83,980</u>	<u>104,975</u>	<u>62,985</u>
	8,584,255	<u>\$ 1,268,565</u>	8,445,370	<u>\$ 1,048,573</u>
Accumulated amortization	<u>1,268,565</u>		<u>1,048,573</u>	
	<u>\$ 7,315,690</u>		<u>\$ 7,396,797</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 \$5,417 was utilized as at March 31, 2013 (\$11,755 as at March 31, 2012) and has been included in accounts payable and accrued liabilities.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

9. CAPITAL LEASE OBLIGATION

	<u>2013</u>	<u>2012</u>
Capital lease obligation, interest at 11.52%, payable in blended monthly installments of \$1,972, maturing in July 2015, secured by a vehicle having a net book value of \$34,495 as at March 31, 2013.	\$ 17,253	\$ 47,485
Installments due within one year	<u>17,253</u>	<u>19,195</u>
	<u>\$ -</u>	<u>\$ 28,290</u>

Amortization on the vehicle under capital lease was \$20,995 in the year (2012 - \$20,995).

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>2013</u>	<u>2012</u>
Balance, beginning of the year	\$ 5,916,298	\$ 6,007,528
Add: Contributions for Leitrim Campus	29,432	94,078
Less: Amortization to revenue	<u>(186,735)</u>	<u>(185,308)</u>
Balance, end of year	<u>\$ 5,758,995</u>	<u>\$ 5,916,298</u>

11. CONTRIBUTIONS FROM THE OTTAWA ROTARY HOME FOUNDATION

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

	<u>2013</u>	<u>2012</u>
Revenues:		
Adult respite - overnight (included in other service revenue)	\$ 27,976	\$ 76,541
Donations	40,000	-
Other	<u>4,790</u>	<u>2,881</u>
	72,766	79,422
Deferred contributions related to capital assets:		
Contributions for Leitrim Campus	<u>29,432</u>	<u>95,118</u>
	<u>\$ 102,198</u>	<u>\$ 174,540</u>

12. ECONOMIC DEPENDENCE

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

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

13. COMMITMENTS

The Home has entered into a lease agreement expiring in September 2015 which calls for lease payments of \$2,508 per year for the rental of printing equipment.

14. PROGRAM REVENUES AND EXPENSES

The terms and conditions of the Government of Ontario funding provide that the 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 Home.

The financial results of each program are:

<u>Program</u>	<u>Service Code</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net loss</u>
Children's Respite Program	9255	\$ 756,030	\$ 756,550	\$ (520)
DS Community Participation Svcs and Supports	9131	77,298	77,609	(311)
DS Caregiver Respite Services	9130	94,793	94,879	(86)
DS Prof and Specialized Services	9132	118,000	118,168	(168)
Adult Residential Service	8847	1,497,139	1,501,081	(3,942)
Children's Complex Special Needs	A510	319,300	319,463	(163)
C&FI Operating Residential	A555	<u>94,802</u>	<u>95,326</u>	<u>(524)</u>
		<u>\$ 2,957,362</u>	<u>\$ 2,963,076</u>	<u>\$ (5,714)</u>

15. COMPARATIVE FIGURES

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