

FINANCIAL STATEMENTS
For
THE OTTAWA ROTARY HOME
For year ended
MARCH 31, 2014

THE OTTAWA ROTARY HOME
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2014

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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, 2014 and the statements of operations and 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 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, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Welch LLP

Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 12, 2014.

**THE OTTAWA ROTARY HOME
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014**

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 320,683	\$ 164,957
Short-term investments (note 4)	81,623	80,814
Accounts receivable	73,383	59,354
Government remittances receivable	16,318	28,348
Prepaid expenses	-	4,770
Due from Ottawa Rotary Home Foundation (note 10)	<u>20,514</u>	<u>63,182</u>
	512,521	401,425
LAND LEASE (note 5)	13,019	13,325
CAPITAL ASSETS (note 6)	<u>7,100,706</u>	<u>7,315,690</u>
	<u>\$ 7,626,246</u>	<u>\$ 7,730,440</u>
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 7)	\$ 167,950	\$ 137,560
Government remittances payable	40,409	35,091
Current portion of obligation under capital lease (note 8)	<u>-</u>	<u>17,253</u>
	208,359	189,904
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (note 9)	<u>5,614,608</u>	<u>5,758,995</u>
	<u>5,822,967</u>	<u>5,948,899</u>
UNRESTRICTED NET ASSETS	<u>1,803,279</u>	<u>1,781,541</u>
	<u>\$ 7,626,246</u>	<u>\$ 7,730,440</u>

Approved by the Board.

..... Director

..... Director

(See accompanying notes)

THE OTTAWA ROTARY HOME
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
Revenue		
Program grants - Government of Ontario (note 11 and 13)	\$ 2,957,487	\$ 2,957,362
Fee for service	243,066	194,287
Other service (note 10)	134,152	151,259
Interest and other	<u>12,358</u>	<u>44,596</u>
	<u>3,347,063</u>	<u>3,347,504</u>
Expenses		
Salaries, benefits and subcontractors	2,814,691	2,795,448
Food	72,539	69,977
Supplies	40,598	23,777
Professional fees	2,699	16,655
Programs	47,612	36,279
Training	22,034	15,366
Travel	9,015	9,077
Office	36,719	33,625
Vehicle	18,736	7,418
Repairs and maintenance	130,431	136,093
Insurance	23,378	22,664
Telephone	12,742	11,294
Utilities	51,366	59,656
Interest	<u>4,928</u>	<u>4,565</u>
	<u>3,287,488</u>	<u>3,241,894</u>
Excess of revenue over expenses before amortization	59,575	105,610
Amortization of deferred contributions related to capital assets	187,155	186,735
Amortization of capital assets and land lease	(203,997)	(199,303)
Amortization of capital assets under capital lease	<u>(20,995)</u>	<u>(20,995)</u>
Excess of revenue over expenses	21,738	72,047
Net assets, beginning of year	<u>1,781,541</u>	<u>1,709,494</u>
Net assets, end of year	<u>\$ 1,803,279</u>	<u>\$ 1,781,541</u>

(See accompanying notes)

**THE OTTAWA ROTARY HOME
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2014**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 21,738	\$ 72,047
Adjustments for:		
Amortization of capital assets and land lease	203,997	199,303
Amortization of capital assets under capital lease	20,995	20,995
Amortization of deferred contributions related to capital assets	<u>(187,155)</u>	<u>(186,735)</u>
	59,575	105,610
Changes in level of:		
Accounts receivable	(14,029)	(35,695)
Prepaid expenses	4,770	12,210
Due from Ottawa Rotary Home Foundation	42,668	(54,783)
Government remittances receivable	12,030	(16,455)
Accounts payable and accrued liabilities	30,390	17,572
Government remittances payable	<u>5,318</u>	<u>(428)</u>
	<u>140,722</u>	<u>28,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposition of short-term investments	80,814	60,180
Purchase of short-term investments	(81,623)	(80,814)
Purchase of capital assets	<u>(9,702)</u>	<u>(138,885)</u>
	<u>(10,511)</u>	<u>(159,519)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligation under capital lease	(17,253)	(30,232)
Increase in deferred contributions related to capital assets	<u>42,768</u>	<u>29,432</u>
	<u>25,515</u>	<u>(800)</u>
INCREASE (DECREASE) IN CASH	155,726	(132,288)
CASH, BEGINNING OF YEAR	<u>164,957</u>	<u>297,245</u>
CASH, END OF YEAR	<u>\$ 320,683</u>	<u>\$ 164,957</u>

(See accompanying notes)

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014

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.

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

Other 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.

Interest and other revenue is recognized when received.

Measurement of financial instruments

Cash and investments are measured at fair value at the balance sheet date.

All other financial instruments are measured at amortized cost at the balance sheet date.

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

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2014

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 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.

3. 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, 2014.

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.

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.

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2014

3. FINANCIAL INSTRUMENTS - Cont'd.

Market risk - Cont'd.

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.

4. SHORT-TERM INVESTMENTS

Short-term investments at March 31, 2014 are comprised of the following Guaranteed Investment Certificates:

<u>Maturity date</u>	<u>Interest rate</u>	<u>Amount</u>
June 4, 2014	0.90 %	\$ 30,711
June 4, 2014	0.90 %	30,711
October 24, 2014	0.90 %	<u>20,201</u>
		<u>\$ 81,623</u>

In January 2014, the Home revised its investment policy. The revised policy requires investment in low risk securities as defined by the policy. The policy authorizes the Executive Director to transfer funds to and from the investment account and assigns oversight responsibility of the investments to the Board of Directors.

5. 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, 2014 is \$10,081 (2013 - \$9,775). 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, 2014

6. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2014</u>		<u>2013</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	1,124,324	6,700,137	956,821
Furniture and equipment	435,345	261,252	425,643	227,764
Vehicle	<u>118,475</u>	<u>107,675</u>	<u>118,475</u>	<u>83,980</u>
	8,593,957	\$ 1,493,251	8,584,255	\$ 1,268,565
Accumulated amortization	<u>1,493,251</u>		<u>1,268,565</u>	
	<u>\$ 7,100,706</u>		<u>\$ 7,315,690</u>	

7. CREDIT CARDS LIMITS

The Home has authorized lines of credit totaling \$20,000 through the use of two corporate credit cards, of which \$15,193 was utilized as at March 31, 2014 (\$5,417 as at March 31, 2013) and has been included in accounts payable and accrued liabilities.

8. CAPITAL LEASE OBLIGATION

	<u>2014</u>	<u>2013</u>
Capital lease obligation, interest at 11.52%, payable in blended monthly installments of \$1,972, paid in the year.	\$ -	\$ 17,253
Installments due within one year	<u>-</u>	<u>17,253</u>
	<u>\$ -</u>	<u>\$ -</u>

Amortization on the vehicle under capital lease was \$20,995 in the year (2013 - \$20,995).

9. 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>2014</u>	<u>2013</u>
Balance, beginning of the year	\$ 5,758,995	\$ 5,916,298
Add: Contributions for Leitrim Campus - Foundation (note 10)	34,252	29,432
Contributions for Leitrim Campus - Other	8,516	-
Less: Amortization to revenue	<u>(187,155)</u>	<u>(186,735)</u>
Balance, end of year	<u>\$ 5,614,608</u>	<u>\$ 5,758,995</u>

THE OTTAWA ROTARY HOME
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2014

10. CONTRIBUTIONS FROM THE OTTAWA ROTARY HOME FOUNDATION

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.

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

	<u>2014</u>	<u>2013</u>
Revenues:		
Adult respite - overnight (included in fee for service)	\$ 35,000	\$ 27,976
Donations (included in interest and other)	2,275	40,000
Other	-	4,790
	<u>37,275</u>	<u>72,766</u>
Deferred contributions related to capital assets:		
Contributions for Leitrim Campus	<u>34,252</u>	<u>29,432</u>
	<u>\$ 71,527</u>	<u>\$ 102,198</u>

As at March 31, 2014, in addition to the amounts noted above, the Ottawa Rotary Home Foundation had committed to advance \$40,000 of funds to be used for the Home's year ended March 31, 2015.

11. ECONOMIC DEPENDENCE

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

12. 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.

13. 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	\$ 756,038	\$ (8)
DS Community Participation Svcs and Supports	9131	77,298	77,342	(44)
DS Caregiver Respite Services	9130	124,918	124,922	(4)
DS Prof and Specialized Services	9132	118,000	118,042	(42)
Adult Residential Service	8847	1,467,139	1,467,154	(15)
Children's Complex Special Needs	A510	319,300	319,366	(66)
CSN Individualized Placement Funding	A545	<u>94,802</u>	<u>94,806</u>	<u>(4)</u>
		<u>\$ 2,957,487</u>	<u>\$ 2,957,670</u>	<u>\$ (183)</u>