

Financial Statements of

**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)

March 31, 2018

# TINKHAM LLP

CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the Members of  
**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)

We have audited the accompanying financial statements of Ivan Franko Homes (formerly Ukrainian Home for the Aged), which comprise the statement of financial position as at March 31, 2018, 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 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 Ivan Franko Homes (formerly Ukrainian Home for the Aged) as at March 31, 2018, 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.

TORONTO, Ontario  
June 13, 2018



Licensed Public Accountants

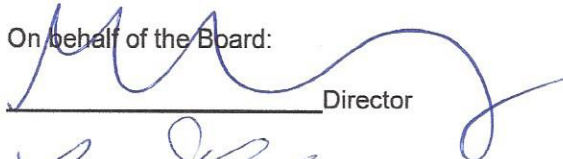
**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)  
Statement of Financial Position

As at March 31	2018	2017
<b>Assets</b>		
Current		
Cash and investments (note 3)	\$ 8,037	\$ 206,364
Resident trust account	17,837	27,576
Accounts receivable	146,423	135,053
Government grants receivable	5,338	-
Prepaid expenses	44,278	46,833
	221,913	415,826
Restricted cash (note 4)	559,449	724,729
Capital assets (note 5)	4,927,209	4,969,546
Development project (note 6)	186,734	-
Fine art and artifacts (note 7)	162,677	162,677
	\$ 6,057,982	\$ 6,272,778
<b>Liabilities and Net Assets</b>		
Current		
Accounts payable and accrued liabilities	\$ 385,042	\$ 340,998
Provincial government subsidy payable (notes 10 and 13)	2,444	1,402
Resident trust funds	17,837	27,576
Deferred revenue and contributions (note 8)	77,268	41,041
Current portion of long term liabilities (note 9)	62,391	57,501
	544,982	468,518
Deferred revenue and contributions (note 8)	982,699	1,067,042
Long term liabilities (note 9)	60,407	124,259
	1,588,088	1,659,819
Net assets		
Invested in capital assets (note 11(a))	3,928,538	3,856,485
Externally restricted - buildings and equipment reserve (note 11(b))	54,239	191,529
Internally restricted - donations reserve (note 11(c))	487,117	367,429
Internally restricted - building reserve (note 11(c))	-	123,007
Unrestricted	-	74,509
	4,469,894	4,612,959
	\$ 6,057,982	\$ 6,272,778

Contingency (note 10)  
Commitment (note 6)

See accompanying notes to the financial statements.

On behalf of the Board:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**Ivan Franko Homes**  
 (formerly Ukrainian Home for the Aged)  
 Statement of Operations

Year ended March 31	General Fund			Building Fund	2018 Total	2017 Total
	Toronto operations	Mississauga operations	General Donation Income			
Revenue			(note 11(c))			
Provincial operating subsidies for care (notes 10 and 13)	\$ 3,858,155	\$ 426,498	\$ -	\$ -	\$ 4,284,653	\$ 4,202,591
Residents' fees	1,767,383	1,500,926	-	-	3,268,309	3,181,571
Building campaign donations (note 8(c))	-	-	-	145,761	145,761	250,652
Unrestricted donations	-	-	133,114	-	133,114	137,282
Amortization of deferred capital contributions (note 8(d))	4,243	60,537	-	-	64,780	65,095
Government summer jobs and training grants	-	45,052	-	-	45,052	31,754
Interest and sundry income	231	-	31,174	-	31,405	42,219
Federal government mortgage subsidy grant	-	-	-	-	-	39,108
	<b>5,630,012</b>	<b>2,033,013</b>	<b>164,288</b>	<b>145,761</b>	<b>7,973,074</b>	<b>7,950,272</b>
Expenses						
Resident care costs	4,589,638	1,011,324	-	-	5,600,962	5,444,005
Administrative and general	590,626	393,023	-	-	983,649	934,715
Building maintenance, utilities and insurance	333,784	595,332	-	-	929,116	973,243
Amortization of buildings and equipment	98,149	188,695	-	-	286,844	275,385
Building campaign expenses	-	-	-	303,632	303,632	250,652
Interest on long term debt	11,936	-	-	-	11,936	16,802
	<b>5,624,133</b>	<b>2,188,374</b>	<b>-</b>	<b>303,632</b>	<b>8,116,139</b>	<b>7,894,802</b>
Excess (deficiency) of revenues over expenses for the year	\$ 5,879	\$ (155,361)	\$ 164,288	\$ (157,871)	\$ (143,065)	\$ 55,470

See accompanying notes to the financial statements.

**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)  
Statement of Changes in Net Assets

Year ended March 31	Invested in Capital Assets	Externally Restricted Reserve	Internally Restricted Donations Reserve	Building Reserve	Unrestricted	Total 2018	Total 2017
	(note 11(a))	(note 11(b))	(note 11(c))	(note 11(c))			
Net assets, beginning of year	\$ 3,856,485	\$ 191,529	\$ 367,429	\$ 123,007	\$ 74,509	\$ 4,612,959	\$ 4,557,489
Excess (deficiency) of revenue over expenses for the year	(222,064)	-	164,288	-	(85,289)	(143,065)	55,470
Purchase of capital assets	244,507	-	-	-	(244,507)	-	-
Repayment of long term debt	58,962	-	-	-	(58,962)	-	-
Capital contributions received (note 8(d))	(9,352)	-	-	-	9,352	-	-
Transfers (note 11)	-	(137,290)	(44,600)	(123,007)	304,897	-	-
Net changes for the year	72,053	(137,290)	119,688	(123,007)	(74,509)	(143,065)	55,470
Net assets, end of year	\$ 3,928,538	\$ 54,239	\$ 487,117	\$ -	\$ -	\$ 4,469,894	\$ 4,612,959

See accompanying notes to the financial statements.

**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)  
Statement of Cash Flows

Year ended March 31	2018	2017
Cash provided (used) by operations:		
Excess (deficiency) of revenue over expenses for the year	\$ (143,065)	\$ 55,470
Items not affecting cash:		
Amortization of capital assets	286,844	275,385
Amortization of life lease	(13,596)	(1,942)
Amortization of deferred capital contributions	(64,780)	(65,095)
	<u>65,403</u>	<u>263,818</u>
Changes in non-cash working capital items:		
Accounts receivable	(11,370)	(43,533)
Government grants receivable	(5,338)	-
Prepaid expenses	2,555	(9,004)
Accounts payable and accrued liabilities	44,044	(129,331)
Provincial government subsidy	1,042	8,311
Last month rent deposits received	25,170	-
Residents' fees received in advance	20,409	-
	<u>76,512</u>	<u>(173,557)</u>
Cash provided by operating activities	<u>141,915</u>	<u>90,261</u>
Cash provided (used) by investing activities:		
Net redemptions (purchases) of short term investments	211,816	569,071
Additions to capital assets	(244,507)	(583,888)
Development project	(186,734)	-
Cash used by investing activities	<u>(219,425)</u>	<u>(14,817)</u>
Cash provided (used) by financing activities:		
Repayment of long term debt	(58,962)	(122,706)
Life lease proceeds received	-	135,960
Capital contributions received	139,794	654,651
Capital contributions spent	(155,113)	(686,435)
Cash used by financing activities	<u>(74,281)</u>	<u>(18,530)</u>
Increase (decrease) in cash	(151,791)	56,914
Cash, beginning of year	393,012	336,098
Cash, end of year	<u>\$ 241,221</u>	<u>\$ 393,012</u>
Cash	\$ 241,221	\$ 393,012
Guaranteed investment certificates	326,265	538,081
Less: restricted cash	<u>(559,449)</u>	<u>(724,729)</u>
Cash and investments per statement of financial position	<u>\$ 8,037</u>	<u>\$ 206,364</u>

See accompanying notes to the financial statements.

## Ivan Franko Homes

(formerly Ukrainian Home for the Aged)

Notes to Financial Statements

March 31, 2018

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### 1 Organization

Ivan Franko Homes (formerly Ukrainian Home for the Aged) (the "Home") was incorporated by letters patent in 1957 under the Corporations Act (Ontario) as a corporation without share capital. The Home is a registered charity under the Canadian Income Tax Act and is exempt from income taxes, provided certain requirements of the Act are met.

The Home's primary objects are to provide residences, nursing care, meals and social activity for seniors. As such, it operates a long-term care home at 767 Royal York Road, Toronto, Ontario and an independent living residence with some supportive services at 3058 Winston Churchill Boulevard, Mississauga, Ontario.

### 2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### (a) Fund accounting

The General Fund reports the general operations of the Home. The fund reports unrestricted resources and restricted contributions related to general operations and to the Home's capital assets.

The Donations Reserve reports restricted and unrestricted donations as well as investment income.

#### (b) Revenue recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants. 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. Externally restricted donations are recognized as revenue in the year in which the related expenses are recognized. Grants and donations received and restricted for the purchase of capital assets are deferred and amortized into income at the same rate as the associated capital asset is amortized.

Life lease consists of a purchasers' right to occupy a particular apartment. Life leases are offered for sale for a limited number of independent living apartments at the Mississauga location. Amounts received upon the sale of a life lease is deferred and amortized into income over the estimated period of occupancy.

The Home is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care under the Health Insurance Act and its Regulations. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2018.

Residents' fees are recognized as revenue when the services are provided.

The Home may be the beneficiary under various wills and trust agreements. The total realizable amounts are not at present readily determinable. The Home recognizes such bequests when the proceeds are received.

Investment income comprised of interest from cash and short term investments is recognized on an accrual basis.

#### (c) Cash

Cash consists of deposits in credit unions and cash on hand.

#### (d) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise costs incurred are expensed as incurred. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

## Ivan Franko Homes

(formerly Ukrainian Home for the Aged)

Notes to Financial Statements

March 31, 2018

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### 2 Significant accounting policies (continued)

#### (d) Capital assets continued

A capital asset is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If any potential impairment is identified, then the amount of the impairment is quantified by comparing the carrying value of the capital asset to its fair value. Any impairment of the capital asset is charged to income in the year in which the impairment is determined. An impairment loss is not reversed if the fair value of the capital asset subsequently increases. As at March 31, 2018, no such impairment exists.

Capital assets are amortized over their estimated useful lives using the straight-line method as follows:

Buildings and improvements	5 - 40 years
Equipment, fixtures and furnishings	4 to 20 years
Parking areas and driveways	8 years

#### (e) Contributed services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

Volunteers provide invaluable donated services to the Home. Since these services are not normally purchased and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

#### (f) Financial instruments

##### (i) Measurement

The Home initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. The Home subsequently measures all of its financial assets and financial liabilities at amortized cost.

##### (ii) Impairment

At the end of each reporting period, the Home assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Home. When there is an indication of impairment, the Home determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

When the Home identifies a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it reduces the carrying amount of the asset to the highest of the following: i) the present value of the cash flows expected to be generated by holding the asset discounted using a current market rate of interest appropriate to the asset; ii) the amount that could be realized by selling the asset at the statement of financial position date; and iii) the amount the Home expects to realize by exercising its rights to any collateral held to secure repayment of the asset net of all costs necessary to exercise those rights. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statements of operations.

When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent of the improvement, directly or by adjusting the allowance account. The amount of the reversal is recognized in the statements of operations in the period the reversal occurs.



**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)  
Notes to Financial Statements  
March 31, 2018

**2 Significant accounting policies (continued)**

(g) Management 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 and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. Significant estimates include the useful lives of capital assets and amounts of Provincial government subsidy advances.

All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

**3 Cash and investments**

As at March 31	2018	2017
Cash	\$ 241,221	\$ 393,012
Guaranteed investment certificates	326,265	538,081
	567,486	931,093
Less: restricted funds (note 4)	(559,449)	(724,729)
	\$ 8,037	\$ 206,364

Guaranteed investment certificates are held at two Credit Unions. The investments have maturity dates ranging from May 2, 2018 to August 12, 2020 (2017 - May 2 to December 16, 2017) but are redeemable prior to maturity with a forfeiture of interest. They bear interest rates ranging from 0.50% to 2.00% (2017 - 0.50% to 2.00%). The investments are measured at cost plus accrued interest.

The Home has an available line of credit in the amount of \$50,000 bearing interest at prime rate plus 0.50% and secured by a guaranteed investment certificate. The Home also has a second line of credit facility in the amount of \$500,000 bearing interest at prime rate plus 1.00% and secured by a second collateral mortgage registered against the Toronto property as well as a general security agreement over all assets of the Home. The second line of credit facility will be increased to \$2,000,000 in June 2018.

There is no balance owing on either credit facility as at March 31, 2018.

**4 Restricted cash**

As at March 31	2018	2017
Externally restricted		
Deferred grant (note 8(a))	\$ 18,093	\$ 27,445
Building campaign donations (note 8(b))	-	15,319
Building and equipment reserves (note 11(b))	54,239	191,529
Internally restricted		
Donations reserve (note 11(c))	487,117	367,429
Building reserve (note 11(c))	-	123,007
	\$ 559,449	\$ 724,729

## Ivan Franko Homes

(formerly Ukrainian Home for the Aged)

Notes to Financial Statements

March 31, 2018

### 5 Capital assets

As at March 31	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 488,303	\$ -	\$ 488,303	\$ -
Buildings and improvements	6,965,144	3,030,914	6,864,060	2,831,910
Equipment, fixtures and furnishings	1,174,828	670,152	1,031,406	584,063
Parking areas and driveways	24,000	24,000	24,000	22,250
	<b>\$ 8,652,275</b>	<b>\$ 3,725,066</b>	<b>\$ 8,407,769</b>	<b>\$ 3,438,223</b>
Net book value		<b>\$ 4,927,209</b>		<b>\$ 4,969,546</b>

### 6 Development project

The Home is undertaking a transformational plan to expand the Mississauga property into a multigenerational campus modelled after a Ukrainian "selo". The Home has capitalized \$186,734 of costs related to this development project. These costs are not being amortized until such time as the construction is complete and the new facility is placed into operation.

Subsequent to March 31, 2018, the Home has entered into a contract for professional planning consulting services. The total cost of the contract is \$110,573 plus HST.

### 7 Fine art and artifacts

The Home owns a collection of fine art and artifacts consisting of various items of Ukrainian heritage. The collection is recognized on the statement of financial position as an asset. Collection items are generally donated to the Home. Any items purchased would be accounted for as an acquisition and the cost added to the collection balance. Proceeds from the sale of collection items would be used either to acquire new items for the collection or for the direct care of the collection. There were no acquisitions or disposals of fine art and artifacts during the fiscal year.

### 8 Deferred revenue and contributions

As at March 31	2018	2017
Current portion		
Deferred grants (a)	\$ 18,093	\$ 27,445
Life Lease (b)	13,596	13,596
Last month rent deposits	25,170	-
Residents' fees received in advance	20,409	-
	<b>77,268</b>	<b>41,041</b>
Long term portion		
Building Campaign (c)	-	15,319
Capital Contributions (d)	875,873	931,301
Life Lease (b)	106,826	120,422
	<b>982,699</b>	<b>1,067,042</b>
Total	<b>\$ 1,059,967</b>	<b>\$ 1,108,083</b>

## Ivan Franko Homes

(formerly Ukrainian Home for the Aged)

Notes to Financial Statements

March 31, 2018

### 8 Deferred revenue and contributions continued

#### (a) Deferred grants

The Home received funding from the Ontario Ministry of Health and Long-Term Care to support the completion of upgrades to comply with the new Ontario Fire Code requirements as well as other capital improvement projects. The activity is summarized as follows:

Year ended March 31	2018	2017
Balance, beginning of year	\$ 27,445	\$ 364,429
Grants received	-	98,799
Disbursed during the year	(9,352)	(435,783)
Balance, end of year	\$ 18,093	\$ 27,445

#### (b) Life Lease

The Home sold a life lease in the previous year for an independent living apartment at the Mississauga facility. Proceeds of \$135,960 were received and deferred and are being amortized to revenue on a straight line basis over the expected term of occupancy, which is estimated to be 10 years. Revenue of \$13,596 has been recognized in the current fiscal year (2017 - \$1,942) and is included in Residents' fees in the Statement of Operations.

Year ended March 31	2018	2017
Balance, beginning of year	\$ 134,018	\$ -
Received	-	135,960
Income recognized	(13,596)	(1,942)
Balance, end of year	\$ 120,422	\$ 134,018
Amount to be recognized as income next year	\$ 13,596	\$ 13,596
Deferred balance, long term	106,826	120,422
	\$ 120,422	\$ 134,018

#### (c) Building campaign

The Home commenced a building campaign in 2013 and accordingly, all donations received for the purpose of the development project were restricted in use and are being applied to the development project expenses incurred. The expenses in fiscal 2018 exceed the accumulated donations and accordingly, the balance of deferred donations at March 31, 2018 is nil. The activity is summarized as follows:

Year ended March 31	2018	2017
Balance, beginning of year	\$ 15,319	\$ 145,902
Donations received	130,442	120,069
Recognized as revenue for eligible expenditures	(145,761)	(250,652)
Balance, end of year	\$ -	\$ 15,319

**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)  
Notes to Financial Statements  
March 31, 2018

**8 Deferred revenue and contributions continued**

(d) Capital contributions

Donations, grants and other contributions received for the purpose of acquiring capital assets are deferred and amortized into revenue at the same rate as the related capital asset. The activity is summarized as follows:

Year ended March 31	2018	2017
Balance, beginning of year	\$ 931,301	\$ 560,613
Capital contributions for capital asset acquisitions	9,352	435,783
Amortization for the year	(64,780)	(65,095)
Balance, end of year	\$ 875,873	\$ 931,301

**9 Long term debt**

As at March 31	2018	2017
CMHC mortgage loan payable - Toronto	\$ 72,172	\$ 94,521
Capital lease obligation	50,626	87,239
	122,798	181,760
Less: current portion	(62,391)	(57,501)
	\$ 60,407	\$ 124,259

The CMHC mortgage loan for Toronto is payable in blended monthly payments of \$2,339 per month, bears interest at a fixed rate of 6.875% per annum and matures January 1, 2021. The mortgage loan is secured by the buildings located at 767 Royal York Road.

The capital lease obligation for heating boilers and tanks is payable at \$3,893 per month, bearing imputed interest at 8.33% per annum and matures July 2018.

Principal repayments required for each of the next three years is as follows:

2018	\$ 62,391
2019	36,167
2020	24,240
	<u>\$ 122,798</u>

**10 Contingency**

The Home receives funding from the Ontario Ministry of Health and Long-Term Care (see note 13). The amount of the funding provided to the Home is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the period of January 1, 2016 to March 31, 2018 for the long term care home (Toronto) has not been subject to this review process. Any adjustments required as a result of this review will be accounted for in the year of settlement.

**Ivan Franko Homes**  
(formerly Ukrainian Home for the Aged)  
Notes to Financial Statements  
March 31, 2018

**11 Net assets**

(a) Invested in capital assets

Net assets invested in capital assets is comprised of:

As at March 31	2018	2017
Capital assets, net book value	\$ 4,927,209	\$ 4,969,546
Less: Deferred capital contributions	(875,873)	(931,301)
Mortgage loans payable	(72,172)	(94,521)
Capital lease obligation	(50,626)	(87,239)
	<b>\$ 3,928,538</b>	<b>\$ 3,856,485</b>

(b) Externally restricted - buildings and equipment reserve

Pursuant to directives from the Ministry of Health and Long-Term Care, the Home is required to establish restricted funds for capital replacement as long as the Home has a mortgage with CMHC. The terms of the directive required the Home to allocate an amount annually to each supportive housing project. Funds may only be used for eligible capital work. The Home reports to the Ministry annually on the reserve funds.

The Mississauga fund was transferred to unrestricted net assets in the current year as the restriction on these funds was released on repayment of the mortgage to CMHC.

Year ended March 31	Toronto	Mississauga	2018 Total	2017 Total
Balance, beginning of year	\$ 51,974	\$ 139,555	\$ 191,529	\$ 174,715
Prescribed allocations	2,000	-	2,000	15,900
Interest	265	-	265	914
Transfer to unrestricted	-	(139,555)	(139,555)	-
Net transfer for year	2,265	(139,555)	(137,290)	16,814
Balance, end of year	\$ 54,239	\$ -	\$ 54,239	\$ 191,529

(c) Internally restricted - donations reserve and building fund

The Homes' Board of Directors has an approved policy of aggregating unrestricted donations, sundry income and certain interest income and internally restricting their use for purposes approved from time to time by the Board. The uses that the Board may approve are primarily capital improvements, significant replacements and debt repayment and accordingly these funds are not available for other purposes without the approval of the Board of Directors. During the year the Board of Directors approved a transfer of \$44,600 (2017 - \$116,264) from the Donations reserve to Unrestricted Net Assets and a transfer of \$123,007 (2017 - Nil) from the Building fund to Unrestricted Net Assets.

## **12 Pension plan**

The Home participates in *The Nursing Homes and Related Industries Pension Plan* which is a target-benefit pension plan for members of the participating unions as well as its non-unionized employees. This is a multi-employer plan. The plan is funded by contributions made by the employees and matched by the Home as defined by the collective agreement. The Home follows defined contribution accounting for its plan. The employer portion of the pension contribution for the unionized employees of the Home for the year was \$73,874 (2017 - \$63,977).

## **13 Economic dependence**

The organization received \$4,284,653 (2017 - \$4,202,591) of operating subsidies from the Government of Ontario as well as \$45,052 (2017 - \$70,862) in other federal and provincial grants. This funding represents approximately 54% (2017 - 54%) of total revenue.

The organization has entered into servicing agreements with the Government of Ontario for the long-term care and assisted living homes. The servicing agreements set out the terms and conditions related to the government funding. The organization provides Annual Reports to the Government of Ontario reconciling funding to expenditures, which are used to determine whether any amounts must be repaid to the Government of Ontario. Amounts repayable are estimated and accrued in the financial statements. The Government of Ontario may terminate the servicing agreements if it determines that the organization is in breach of any of its terms and conditions and the breach is not cured within an established time period after written notice of the breach is provided.

## **14 Financial instruments**

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposures and concentrations.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk through its cash, short term investments and accounts receivable.

Accounts receivable is comprised of \$7,414 (2017 - \$36,623) due from residents, which are unsecured and \$139,009 (2017 - \$98,430) GST/HST Public Service Bodies' Rebate which is receivable from the government and therefore considered very low risk.

Cash and short term investments are held at two financial institutions. Funds on deposit exceed the maximum amount insured and hence there is a concentration of credit risk.

### **Liquidity risk**

Liquidity risk is the risk that the organization will not be able to meet a demand for cash or fund its obligations as they come due. The organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities. In addition, the Home has available a line of credit facility (note 3).

### **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.

**14 Financial instruments (continued)**

**Currency risk**

Currency risk reflects the risk that the organization's earnings will decline due to fluctuations in foreign exchange rates. The organization has no financial instruments or transactions denominated in a foreign currency and therefore is not exposed to currency risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is subject to interest rate risk to the extent that its mortgage loans payable may be subject to interest rate changes on maturity and from its guaranteed investment certificates which earn fixed rates of interest. The organization has not entered into any derivative agreements to mitigate this risk.

The organization manages its exposure to interest rate risk related to its guaranteed investment certificates by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the organization's results of operations.

The primary objective of the organization with respect to its fixed income investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

**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 in the market.

The organization is not exposed to other price risk.

**Changes in risk**

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