

Consolidated Financial Statements of

**Ivan Franko Homes**

March 31, 2024

D C Tinkham FCPA FCA CMC LPA  
P J Brocklesby CPA CA LPA  
M Y Tkachenko CPA CA  
M W G Rooke CPA CA LPA  
A C Callas CPA CA LPA  
G P Kroeplin CPA  
C R Braun CPA CA  
H S Grewal CPA

300 - 2842 Bloor Street West  
Toronto Ontario M8X 1B1  
Canada

TEL 1 416 233 2139  
FAX 1 416 233 1788

**TINKHAMCPA.COM**

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**Ivan Franko Homes**

### Opinion

We have audited the consolidated financial statements of Ivan Franko Homes ("the Home") which comprise the consolidated statement of financial position as at March 31, 2024, and the consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Home as at March 31, 2024, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Home in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Home's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Home or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Home's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Home's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast doubt on the Home's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Home to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

TORONTO, Ontario  
June 24, 2024



Licensed Public Accountants

**Ivan Franko Homes**  
**Consolidated Statement of Financial Position**

As at March 31 2024 2023

**Assets**

Current		
Cash	\$ 15,163,822	\$ 2,103,559
Investments (note 3)	816,610	1,250,456
Public service body rebate receivable	1,093,383	299,297
Accounts receivable	162,180	150,425
Provincial government subsidy receivable (notes 10 and 13)	-	131,320
Prepaid expenses	87,404	87,379
	<b>17,323,399</b>	<b>4,022,436</b>
Investments (note 3)	182,760	578,037
Capital assets (note 4)	5,599,390	5,284,315
Development project (note 5)	14,719,997	2,005,688
Fine art and artifacts (note 6)	168,677	168,677
	<b>\$ 37,994,223</b>	<b>\$ 12,059,153</b>

**Liabilities and Net Assets**

Current		
Accounts payable and accrued liabilities (note 7)	\$ 2,539,888	\$ 961,783
Provincial government subsidy payable (notes 10 and 13)	77,130	-
Deferred revenue and contributions (note 8)	207,709	172,406
	<b>2,824,727</b>	<b>1,134,189</b>
Holdback payable (note 5)	1,137,830	-
Deferred revenue and contributions (note 8)	25,241,847	2,458,978
	<b>29,204,404</b>	<b>3,593,167</b>
Net assets		
Unrestricted	146,749	421,268
Invested in capital assets (note 11(a))	4,291,677	3,866,775
Internally restricted - development project (note 11(b))	4,351,393	4,177,943
	<b>8,789,819</b>	<b>8,465,986</b>
	<b>\$ 37,994,223</b>	<b>\$ 12,059,153</b>

Contingent liabilities (note 10)  
 Commitments (note 5)

See accompanying notes to the consolidated financial statements.

On behalf of the Board:

George Horhota Director  
George Horhota (Jun 25, 2024 12:09 EDT)

Ihor Perehinec Director  
Ihor Perehinec (Jun 25, 2024 12:25 EDT)

**Ivan Franko Homes**  
**Consolidated Statement of Operations**

**General Fund**

Year ended March 31	General Fund				2023 Total
	Toronto operations	Mississauga operations	Donation Fund	Building Fund	
Revenue					
Provincial operating subsidies for care (notes 10 and 13)	\$ 6,926,898	\$ 797,373	\$ -	\$ -	\$ 7,724,271
Residents' fees	1,845,718	2,638,057	-	-	4,483,775
Building campaign donations (note 8(b))	-	-	-	861,363	861,363
Amortization of deferred capital contributions (note 8(c))	88,262	69,565	-	-	157,827
Other grants	30,000	127,316	-	-	157,316
Unrestricted donations	-	-	138,379	-	138,379
Interest and sundry income	-	19,903	62,752	-	82,655
Government summer jobs and training grants (note 13)	15,031	49,059	-	-	64,090
	<b>8,905,909</b>	<b>3,701,273</b>	<b>201,131</b>	<b>861,363</b>	<b>13,669,676</b>
Expenses					
Resident care costs	7,529,797	1,697,239	-	-	9,227,036
Administrative and general	480,399	1,013,089	27,681	-	1,521,169
Building maintenance, utilities and insurance	505,659	704,074	-	-	1,209,733
Building campaign expenses	-	-	-	861,363	861,363
Amortization of capital assets	255,899	270,643	-	-	526,542
	<b>8,771,754</b>	<b>3,685,045</b>	<b>27,681</b>	<b>861,363</b>	<b>13,345,843</b>
Excess of revenue over expenses for the year	\$ 134,155	\$ 16,228	\$ 173,450	\$ -	\$ 323,833
					\$ 1,771,251

See accompanying notes to the consolidated financial statements.

## Ivan Franko Homes

### Consolidated Statement of Changes in Net Assets

Year ended March 31	Internally Restricted - Development Project	Invested in Capital Assets	Unrestricted	Total 2024	Total 2023
	(note 11(b))	(note 11(a))			
Net assets, beginning of year	\$ 4,177,943	\$ 3,866,775	\$ 421,268	\$ 8,465,986	\$ 6,694,735
Excess (deficiency) of revenue over expenses for the year	-	(368,715)	692,548	323,833	1,771,251
Purchase of capital assets	-	841,617	(841,617)	-	-
Capital contributions received (note 8(c))	-	(48,000)	48,000	-	-
Transfers (note 11(b))	173,450	-	(173,450)	-	-
Net changes for the year	173,450	424,902	(274,519)	323,833	1,771,251
Net assets, end of year	\$ 4,351,393	\$ 4,291,677	\$ 146,749	\$ 8,789,819	\$ 8,465,986

See accompanying notes to the consolidated financial statements.

## Ivan Franko Homes

### Consolidated Statement of Cash Flows

Year ended March 31	2024	2023
Cash provided (used) by operations:		
Excess of revenue over expenses for the year	\$ 323,833	\$ 1,771,251
Items not affecting cash:		
Amortization of capital assets	526,542	459,582
Amortization of life lease	(13,596)	(13,596)
Amortization of deferred capital contributions	(157,827)	(132,758)
	<b>678,952</b>	<b>2,084,479</b>
Changes in non-cash working capital items:		
Accrued interest receivable	8,005	(2,219)
Public service body rebate receivable	(794,086)	(151,089)
Accounts receivable	(11,755)	(106,655)
Provincial government subsidy receivable / payable	208,450	98,778
Prepaid expenses	(25)	(15,433)
Accounts payable and accrued liabilities	1,578,105	(42,069)
Last month rent deposits received (net of refunds)	20,619	34,630
Deferred operating grant	14,684	-
	<b>1,023,997</b>	<b>(184,057)</b>
Cash provided by operating activities	<b>1,702,949</b>	<b>1,900,422</b>
Cash provided (used) by investing activities:		
Redemption of investments (net of purchases)	821,118	(815,831)
Additions to capital assets	(841,617)	(634,632)
Additions to development project	(12,714,309)	(953,003)
Holdback payable	1,137,830	-
Cash used by investing activities	<b>(11,596,978)</b>	<b>(2,403,466)</b>
Cash provided (used) by financing activities:		
Building campaign contributions received (net of amount spent)	22,906,292	(1,358)
Capital contributions received	48,000	99,192
Cash provided by financing activities	<b>22,954,292</b>	<b>97,834</b>
Increase (decrease) in cash	<b>13,060,263</b>	<b>(405,210)</b>
Cash, beginning of year	<b>2,103,559</b>	<b>2,508,769</b>
Cash, end of year	<b>\$ 15,163,822</b>	<b>\$ 2,103,559</b>

# Ivan Franko Homes

## Notes to the Consolidated Financial Statements

March 31, 2024

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### 1 Organization

Ivan Franko Homes ("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 *Income Tax Act (Canada)* and is exempt from income taxes.

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 consolidated 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) Basis of presentation

During the year, the Home acquired 100% of the common shares of IFH Winston Churchill Holdings Ltd. and has elected to account for the investment by consolidating the accounts of this wholly owned, for-profit, subsidiary. All intercompany balances and transactions have been eliminated.

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 Donation Fund reports unrestricted donations, investment income and expenses incurred which directly relate to fundraising events.

The Building Fund reports restricted donations which relate to the expenses incurred for the building campaign.

#### (b) Revenue recognition

The Home follows the deferral method of accounting for contributions which include donations and 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 contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions 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 Long-Term Care ("the Ministry") 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, 2024.

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.



# Ivan Franko Homes

Notes to the Consolidated Financial Statements

March 31, 2024

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## 2 Significant accounting policies (continued)

### (c) Capital assets

The costs of capital assets are capitalized upon meeting the criteria for recognition as a capital asset, otherwise costs 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.

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.

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
Vehicle	10 years
Parking areas and driveways	8 years

### (d) Contributed goods and services

The value of contributed 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.

### (e) Financial instruments

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.

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.

### (f) 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 impairment of accounts receivable, useful lives of capital assets, completion of the development project, certain accrued liabilities and settlements with government funders.

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

## Ivan Franko Homes

### Notes to the Consolidated Financial Statements

March 31, 2024

#### 3 Investments

Investments are comprised of guaranteed investment certificates held at two credit unions. Terms and maturity dates are as follows:

As at March 31	2024	2023
Current		
Maturing June 23, 2024 to March 22, 2025, interest at 1.75% to 5.10% (2023 - maturing May 2, 2023 to March 22, 2024, interest at 2.10% to 4.65%)	\$ 813,381	\$ 1,239,222
Accrued interest receivable	3,229	11,234
	<b>816,610</b>	1,250,456
Long term		
Maturing September 10, 2026, interest at 4.39% (2023 - maturing June 23, 2024 to January 25, 2025, interest at 1.75% to 5.10%)	<b>182,760</b>	578,037
	<b>\$ 999,370</b>	\$ 1,828,493

#### 4 Capital assets

As at March 31	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 488,303	\$ -	\$ 488,303	\$ -
Buildings and improvements	7,956,574	4,409,838	7,510,845	4,140,635
Equipment, fixtures and furnishings	3,159,959	1,654,862	2,764,070	1,408,173
Parking areas and driveways	79,608	51,804	79,608	44,853
Vehicle	37,000	5,550	37,000	1,850
	<b>\$ 11,721,444</b>	<b>\$ 6,122,054</b>	\$ 10,879,826	\$ 5,595,511
Net book value		<b>\$ 5,599,390</b>		\$ 5,284,315

#### 5 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 \$12,714,309 (2023 - \$953,003) of costs incurred in the current year related to this development project for a total cost to date of \$14,719,997. These costs are not being amortized until such time as the construction is complete and the new facility is placed into operation which is expected to be in the fiscal year ended March 31, 2027.

The Home has entered into various commitments for goods and services related to the development project. Minimum payments on account of these commitments for the next five years and in total are estimated as follows:

2025	\$ 35,000,000
2026	25,298,000
2027	2,798,000
2028	298,000
2029	298,000
Thereafter	<u>596,000</u>
	<b>\$ 64,288,000</b>

## Ivan Franko Homes

### Notes to the Consolidated Financial Statements

March 31, 2024

#### 6 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 current or prior fiscal year.

#### 7 Government remittances payable

Included in accounts payable and accrued liabilities is \$18,384 (2023 - \$11,848) of government remittances payable.

#### 8 Deferred revenue and contributions

As at March 31	2024	2023
Current		
Last month rent deposits	\$ 179,429	\$ 158,810
Deferred grants (a)	14,684	-
Life lease (b)	13,596	13,596
	<b>207,709</b>	172,406
Long term		
Life lease (b)	25,250	38,846
Building campaign (c)	23,908,884	1,002,592
Capital contributions (d)	1,307,713	1,417,540
	<b>25,241,847</b>	2,458,978
Total	<b>\$ 25,449,556</b>	\$ 2,631,384

##### (a) Deferred grant

The Home received a grant in the amount of \$100,000 to support new fundraising and communication projects. Expenses totaling \$85,316 have been included in administrative and general expenses in the consolidated statement of operations. Unspent funds totaling \$14,684 at March 31, 2024 will be spent in the next fiscal year and recognized in revenue at that time.

##### (b) Life lease

The Home sold a life lease in a 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.

Year ended March 31	2024	2023
Balance, beginning of year	\$ 52,442	\$ 66,038
Income recognized	(13,596)	(13,596)
Balance, end of year	<b>\$ 38,846</b>	\$ 52,442
Amount to be recognized as income next year	\$ 13,596	\$ 13,596
Deferred balance, long term	25,250	38,846
	<b>\$ 38,846</b>	\$ 52,442

## Ivan Franko Homes

Notes to the Consolidated Financial Statements

March 31, 2024

### 8 Deferred revenue and contributions (continued)

#### (c) Building campaign

The Home commenced a building campaign in 2013 and accordingly, all donations and government assistance received for the purpose of the development project are restricted in use and are being applied to the development project expenditures incurred. The activity is summarized as follows:

Year ended March 31	2024	2023
Balance, beginning of year	\$ 1,002,592	\$ 1,003,950
Donations received	10,557,655	117,568
Government assistance received	13,210,000	-
Recognized as revenue for eligible expenditures	(861,363)	(118,926)
Balance, end of year	\$ 23,908,884	\$ 1,002,592

#### (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	2024	2023
Balance, beginning of year	\$ 1,417,540	\$ 1,451,106
Capital contributions for capital asset acquisitions	48,000	99,192
Amortization for the year	(157,827)	(132,758)
Balance, end of year	\$ 1,307,713	\$ 1,417,540

### 9 Credit facilities

The Home has an available line of credit facility with BCU Financial ("BCU") in the amount of \$50,000, bearing interest at BCU prime rate plus 0.50%. The effective interest rate on this facility is 8.15% at March 31, 2024. The line of credit is secured by a guaranteed investment certificate. No amount has been drawn on this credit facility.

The Home also has a second line of credit facility at March 31, 2024 with Ukrainian Credit Union Limited ("UCU") in the amount of \$2,000,000 (increased to \$3,400,000 in May 2024), bearing interest at UCU prime plus 1.00%. The effective interest rate on this facility is 8.60% at March 31, 2024. The second line of credit facility is secured by a mortgage registered against certain land and buildings owned as well as a General Security Agreement over all assets of the Home. As a condition of this facility, the Home is required to comply with non-financial covenants and financial ratios. No amount has been drawn on this credit facility.

Subsequent to the year end, the Home obtained additional credit facilities from Infrastructure Ontario to finance the development project (note 5). The credit facilities include a non-revolving construction loan, up to \$52,787,977 bearing variable interest with interest-only monthly payments. The construction loan is available until the earlier of 120 days following substantial completion of the project and May 30, 2027. At maturity, the construction loan may be converted to a non-revolving, fixed rate term loan to be repaid over a 25 year amortization period in blended monthly payments of principal and interest. The term loan maximum financing is \$44,817,817. Security for the Infrastructure Ontario financing consists of mortgages registered against all property owned as well as assignment of rents and a general security agreement over all property.

## Ivan Franko Homes

### Notes to the Consolidated Financial Statements

March 31, 2024

#### 10 Contingent liabilities

(a) Ministry of Health funding

The Home receives funding from the Ontario Ministry of 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, 2021 to March 31, 2024 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.

(b) Potential lawsuit

In May 2024, the Home was notified by a supplier of potential litigation. The Home believes that the claim is without merit. As the outcome cannot be determined at this time and the amount of any possible settlement cannot be reliably estimated, no provision has been accrued in the consolidated financial statements.

#### 11 Net assets

(a) Invested in capital assets

As at March 31	2024	2023
Capital assets, net book value	\$ 5,599,390	\$ 5,284,315
Less: Deferred capital contributions (note 8(d))	(1,307,713)	(1,417,540)
	\$ 4,291,677	\$ 3,866,775

(b) Internally restricted - development project

The Board of Directors has internally restricted net assets for future costs associated with the development project (note 5). The internally restricted funds may only be used on approval by the Board of Directors.

#### 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 employees of the Home for the year was \$98,809 (2023 - \$90,417).

#### 13 Economic dependence

The Home recognized as revenue \$7,724,271 (2023 - \$7,596,210) of operating subsidies from the Government of Ontario as well as \$64,090 (2023 - \$37,612) in other federal and provincial grants. This funding represents approximately 57% (2023 - 59%) of total revenue.

The Home 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 Home 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 Home 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.

## Ivan Franko Homes

Notes to the Consolidated Financial Statements

March 31, 2024

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### 14 Financial instruments

The Home 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 Home is exposed to credit risk through its cash, investments and accounts receivable.

Cash and investments are held at two financial institutions. Funds on deposit exceed the maximum amount insured. Accounts receivable are primarily due from residents and are unsecured.

#### Liquidity risk

Liquidity risk is the risk that the Home will not be able to meet a demand for cash or fund its obligations as they come due. The Home 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 line of credit facilities available. Subsequent to the year end, the Home increased the amount available in one of the line of credit facilities and entered into a credit facility agreement with Infrastructure Ontario (note 9).

#### 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. The Home is not exposed to currency risk or other price 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 Home is subject to interest rate risk on its fixed and floating rate financial instruments. Fixed rate instruments subject the Home to fair value risk, while floating rate instruments subject it to cash flow risk. The Home is exposed to this type of risk as a result of guaranteed investment certificates which earn fixed rates of interest and credit facilities which bear floating rates of interest if drawn on.

The Home 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 and considering cash flow projections relating to the development project. Fluctuations in market rates of interest on cash do not have a significant impact on the Home's results of operations. The primary objective of the Home 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.

The credit facilities have not been utilized in the year ended March 31, 2024 but are available for financing the construction of the development project. It is anticipated that the Home will utilize the credit facilities commencing in fiscal 2025.

#### Changes in risk

Liquidity risk is increased this year as a result of the construction commitments entered into this year (note 5). This risk is offset by the credit facilities in place to fund the construction but increases interest rate risk as the credit facilities bear floating interest rates. There have been no other significant changes in the Home's risk exposures from the prior year.