

Financial Statements of

Ivan Franko Homes

March 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Ivan Franko Homes

Opinion

We have audited the financial statements of Ivan Franko Homes ("the Home") which comprise the statement of financial position as at March 31, 2020, and the statements of operations, changes in net assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2020, 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.

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 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 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the 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
August 28, 2020



Licensed Public Accountants

Ivan Franko Homes
Statement of Financial Position

As at March 31 2020 2019

Assets

Current

Cash and investments (note 3)	\$	522,201	\$	183,029
Resident trust account		5,297		18,297
Accounts receivable		150,653		108,432
Government grants receivable		-		2,991
Prepaid expenses		79,516		70,381

		757,667		383,130
Restricted cash (note 4)		855,297		1,747,026
Capital assets (note 5)		4,733,617		4,784,489
Development project (note 6)		952,597		661,978
Fine art and artifacts (note 7)		168,677		162,677

\$ 7,467,855 **\$ 7,739,300**

Liabilities and Net Assets

Current

Line of credit (note 3)	\$	-	\$	527,396
Accounts payable and accrued liabilities (note 8)		420,908		371,896
Resident trust funds		5,297		18,297
Deferred revenue and contributions (note 9)		89,656		249,094
Current portion of long term liabilities (note 10)		22,676		38,653

		538,537		1,205,336
Deferred revenue and contributions (note 9)		1,825,618		1,812,988
Long term liabilities (note 10)		-		20,191

2,364,155 3,038,515

Net assets

Invested in capital assets (note 12(a))		3,761,461		3,867,065
Externally restricted - buildings and equipment reserve (note 12(b))		58,793		56,510
Internally restricted - donations reserve (note 12(c))		-		653,043
Unrestricted		1,283,446		124,167

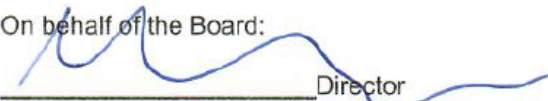
5,103,700 4,700,785


\$ 7,467,855 **\$ 7,739,300**

Contingency (note 11)
 Subsequent event (note 15)

See accompanying notes to the financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

Ivan Franko Homes
Statement of Operations

Year ended March 31	General Fund				2020 Total	2019 Total
	Toronto operations	Mississauga operations	Donation Fund	Building Fund		
Revenue						
Provincial operating subsidies for care (notes 11 and 14)	\$ 4,033,437	\$ 482,120	\$ -	\$ -	\$ 4,515,557	\$ 4,448,070
Residents' fees	1,897,130	1,908,713	-	-	3,805,843	3,668,183
Building campaign donations (note 9(c))	-	-	-	175,972	175,972	340,700
Unrestricted donations	-	-	147,636	-	147,636	136,006
Amortization of deferred capital contributions (note 9(d))	4,620	81,776	-	-	86,396	66,788
Government subsidies - COVID-19	53,230	5,189	-	-	58,419	-
Interest and sundry income	-	-	29,836	-	29,836	30,010
Government summer jobs and training grants (note 14)	-	17,941	-	-	17,941	41,783
	5,988,417	2,495,739	177,472	175,972	8,837,600	8,731,540
Expenses						
Resident care costs	4,764,842	994,101	-	-	5,758,943	5,872,438
Administrative and general	634,745	567,998	20,530	-	1,223,273	1,065,367
Building maintenance, utilities and insurance	368,752	568,506	-	-	937,258	919,126
Amortization of buildings and equipment	113,499	223,239	-	-	336,738	296,055
Building campaign expenses	-	-	-	175,972	175,972	340,700
Interest on long term debt	2,501	-	-	-	2,501	6,963
	5,884,339	2,353,844	20,530	175,972	8,434,685	8,500,649
Excess of revenues over expenses for the year	\$ 104,078	\$ 141,895	\$ 156,942	\$ -	\$ 402,915	\$ 230,891

See accompanying notes to the financial statements.

Ivan Franko Homes
Statement of Changes in Net Assets

Year ended March 31	Invested in Capital Assets	Externally Restricted Reserve	Internally Restricted Donations Reserve	Unrestricted	Total 2020	Total 2019
	(note 12(a))	(note 12(b))	(note 12(c))			
Net assets, beginning of year	\$ 3,867,065	\$ 56,510	\$ 653,043	\$ 124,167	\$ 4,700,785	\$ 4,469,894
Excess (deficiency) of revenue over expenses for the year	(250,342)	-	177,472	475,785	402,915	230,891
Purchase of capital assets	285,866	-	-	(285,866)	-	-
Repayment of long term debt	36,168	-	-	(36,168)	-	-
Capital contributions received (note 9(d))	(177,296)	-	-	177,296	-	-
Transfers (note 12)	-	2,283	(830,515)	828,232	-	-
Net changes for the year	(105,604)	2,283	(653,043)	1,159,279	402,915	230,891
Net assets, end of year	\$ 3,761,461	\$ 58,793	\$ -	\$ 1,283,446	\$ 5,103,700	\$ 4,700,785

See accompanying notes to the financial statements.

Ivan Franko Homes
Statement of Cash Flows

Year ended March 31	2020	2019
Cash provided (used) by operations:		
Excess of revenue over expenses for the year	\$ 402,915	\$ 230,891
Items not affecting cash:		
Amortization of capital assets	336,738	296,055
Amortization of life lease	(13,596)	(13,596)
Amortization of deferred capital contributions	(86,396)	(66,788)
	639,661	446,562
Changes in non-cash working capital items:		
Accounts receivable	(42,221)	37,991
Government grants receivable	2,991	2,347
Prepaid expenses	(9,135)	(26,103)
Accounts payable and accrued liabilities	49,012	(13,146)
Provincial government subsidy	-	(2,444)
Last month rent deposits received (net of refunds)	18,125	31,120
Residents' fees received in advance	(1,268)	(17,496)
	17,504	12,269
Cash provided by operating activities	657,165	458,831
Cash provided (used) by investing activities:		
Net redemptions of short term investments	(3,785)	37,458
Additions to capital assets	(285,866)	(153,335)
Purchase of fine art and artifacts	(6,000)	-
Development project	(290,619)	(475,244)
Cash used by investing activities	(586,270)	(591,121)
Cash provided (used) by financing activities:		
Repayment of long term debt	(36,168)	(63,954)
Line of credit	(527,396)	527,396
Capital contributions received	112,298	1,435,241
Capital contributions spent	(175,971)	(366,366)
Cash provided (used) by financing activities	(627,237)	1,532,317
Increase (decrease) in cash	(556,342)	1,400,027
Cash, beginning of year	1,641,248	241,221
Cash, end of year	\$ 1,084,906	\$ 1,641,248
Cash	\$ 1,084,906	\$ 1,641,248
Guaranteed investment certificates	292,592	288,807
Less: restricted cash	(855,297)	(1,747,026)
Cash and investments per statement of financial position	\$ 522,201	\$ 183,029

See accompanying notes to the financial statements.

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

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 Income Tax Act (Canada) and is exempt from income taxes, provided certain requirements 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 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 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, 2020.

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.

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

2 Significant accounting policies (continued)

(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.

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, 2020, 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 goods and 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 statement 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 statement of operations in the period the reversal occurs.

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

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 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.

3 Cash and investments

As at March 31	2020	2019
Cash	\$ 1,084,906	\$ 1,641,248
Guaranteed investment certificates	292,592	288,807
	1,377,498	1,930,055
Less: restricted funds (note 4)	(855,297)	(1,747,026)
	\$ 522,201	\$ 183,029

Guaranteed investment certificates are held at one credit union. The certificates have maturity dates ranging from May 2, 2020 to August 12, 2020 (2019 - May 2, 2019 to August 12, 2020) but are redeemable prior to maturity subject to a forfeiture of interest. The certificates bear interest at rates ranging from 2.00% to 2.35% (2019 - 1.50% to 2.00%). The investments are measured at cost plus accrued interest.

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 4.30% at March 31, 2020. 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 with Ukrainian Credit Union Limited ("UCU") in the amount of \$2,000,000, bearing interest at UCU prime plus 1.00%. The effective interest rate on this facility is 5.10% at March 31, 2020. The second line of credit facility is secured by a second collateral mortgage registered against the long-term care property 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. The balance owing on this credit facility is \$nil as at March 31, 2020 (2019 - \$527,396).

4 Restricted cash

As at March 31	2020	2019
Externally restricted		
Deferred grant (note 9(a))	\$ -	\$ 176,295
Building campaign donations (note 9(c))	796,504	861,178
Building and equipment reserve (note 12(b))	58,793	56,510
Internally restricted		
Donations reserve (note 12(c))	-	653,043
	\$ 855,297	\$ 1,747,026

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

5 Capital assets

As at March 31	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 488,303	\$ -	\$ 488,303	\$ -
Buildings and improvements	7,209,154	3,456,607	7,079,139	3,236,681
Equipment, fixtures and furnishings	1,370,019	877,252	1,214,169	760,441
Parking areas and driveways	24,000	24,000	24,000	24,000
	\$ 9,091,476	\$ 4,357,859	\$ 8,805,611	\$ 4,021,122
Net book value		\$ 4,733,617		\$ 4,784,489

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 \$290,619 (2019 - \$475,243) of costs incurred in the current year related to this development project for a total cost to date of \$952,597. These costs are not being amortized until such time as the construction is complete and the new facility is placed into operation.

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 was one acquisition for \$6,000 and no disposals of fine art and artifacts during the fiscal year.

8 Government remittances payable

Included in accounts payable and accrued liabilities is \$15,721 (2019 - \$25,255) of government remittances payable.

9 Deferred revenue and contributions

As at March 31	2020	2019
Current portion		
Last month rent deposits	\$ 74,415	\$ 56,290
Deferred grants (a)	-	176,295
Life Lease (b)	13,596	13,596
Residents' fees received in advance	1,645	2,913
	89,656	249,094
Long term portion		
Building Campaign (c)	796,504	861,178
Capital Contributions (d)	949,480	858,580
Life Lease (b)	79,634	93,230
	1,825,618	1,812,988
Total	\$ 1,915,274	\$ 2,062,082

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

9 Deferred revenue and contributions continued

(a) Deferred grants

The Home received funding in the prior year from the Ontario Ministry of Health and Long-Term Care and Employment and Social Development Canada to support various capital improvement projects completed in the current year. The activity is summarized as follows:

Year ended March 31	2020	2019
Balance, beginning of year	\$ 176,295	\$ 18,093
Grants received	-	183,868
Disbursed during the year	(176,295)	(25,666)
Balance, end of year	\$ -	\$ 176,295

(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. Revenue of \$13,596 (2019 - \$13,596) has been recognized in the current fiscal year.

Year ended March 31	2020	2019
Balance, beginning of year	\$ 106,826	\$ 120,422
Income recognized	(13,596)	(13,596)
Balance, end of year	\$ 93,230	\$ 106,826
Amount to be recognized as income next year	\$ 13,596	\$ 13,596
Deferred balance, long term	79,634	93,230
	\$ 93,230	\$ 106,826

(c) Building campaign

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

Year ended March 31	2020	2019
Balance, beginning of year	\$ 861,178	\$ -
Donations received	111,298	1,201,878
Recognized as revenue for eligible expenditures	(175,972)	(340,700)
Balance, end of year	\$ 796,504	\$ 861,178

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

9 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	2020	2019
Balance, beginning of year	\$ 858,580	\$ 875,873
Capital contributions for capital asset acquisitions	177,296	49,495
Amortization for the year	(86,396)	(66,788)
Balance, end of year	\$ 949,480	\$ 858,580

10 Long term debt

As at March 31	2020	2019
CMHC mortgage loan payable - Toronto	\$ 22,676	\$ 48,261
Capital lease obligation	-	10,583
	22,676	58,844
Less: current portion	(22,676)	(38,653)
	\$ -	\$ 20,191

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 was payable at \$3,893 per month, bearing imputed interest at 8.33% per annum and matured July 2019.

11 Contingency

The Home receives funding from the Ontario Ministry of Health and Long-Term Care (see note 14). 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, 2017 to March 31, 2020 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

Notes to Financial Statements

March 31, 2020

12 Net assets

(a) Invested in capital assets

Net assets invested in capital assets is comprised of:

As at March 31	2020	2019
Capital assets, net book value	\$ 4,733,617	\$ 4,784,489
Less: Deferred capital contributions	(949,480)	(858,580)
Mortgage loan payable	(22,676)	(48,261)
Capital lease obligation	-	(10,583)
	\$ 3,761,461	\$ 3,867,065

(b) Externally restricted - buildings and equipment reserve

Pursuant to directives from the Ministry of Health and Long-Term Care, the the long-term care 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 the supportive housing project. Funds may only be used for eligible capital work. The Home reports to the Ministry annually on the reserve funds.

Year ended March 31	2020	2019
Balance, beginning of year	\$ 56,510	\$ 54,239
Prescribed allocations	2,000	2,000
Interest	283	271
Net transfer for year	2,283	2,271
Balance, end of year	\$ 58,793	\$ 56,510

(c) Internally restricted - donations reserve

The Homes' Board of Directors had 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.

During the year, the Board of Directors removed the internal restriction and closed the reserve fund to unrestricted net assets.

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

13 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 \$81,466 (2019 - \$83,812).

14 Economic dependence

The Home received \$4,515,557 (2019 - \$4,448,070) of operating subsidies from the Government of Ontario as well as \$76,360 (2019 - \$41,783) in other federal and provincial grants. This funding represents approximately 52% (2019 - 54%) 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.

15 Subsequent event

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods, social distancing and required temporary closure of or imposed limitations on the operation of certain businesses, have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions.

The COVID-19 outbreak and associated responses could impact operations during the subsequent fiscal year. Some impacts for the Home could include the following:

- changes in occupancy of the Home, or revenue earned from funding authorities or residents or the ability of residents to make payments; or
- changes in operating expenses due to impacts from the outbreak, including changes in staffing needs and availability, and other supplies and equipment needs.

The Home is taking measures to mitigate the potential negative impacts. Government funding has been maintained at the levels which had been agreed to prior to the pandemic. Additional funding related to COVID-19 expenses has been approved and received by the Home subsequent to year end.

It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Home in future periods.

Ivan Franko Homes

Notes to Financial Statements

March 31, 2020

16 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, short term investments and accounts receivable.

Accounts receivable is comprised of \$13,424 (2019 - \$25,666) due from residents, which are unsecured and \$137,229 (2019 - \$82,766) in GST/HST Public Service Bodies' Rebate which is receivable from the government, and therefore considered low credit risk.

Cash and short term investments are held at two financial institutions. Funds on deposit exceed the maximum amount insured.

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 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.

Currency risk

Currency risk reflects the risk that the Home's earnings will decline due to fluctuations in foreign exchange rates. The Home 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 Home is subject to interest rate risk to the extent that its guaranteed investment certificates earn fixed rates of interest. The Home has not entered into any derivative agreements to mitigate this risk.

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. 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.

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 Home is not exposed to other price risk.

Changes in risk

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