

KRISTUS DARZS LATVIAN FOUNDATION

**FINANCIAL STATEMENTS
DECEMBER 31, 2020**

KRISTUS DARZS LATVIAN FOUNDATION

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DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members
Kristus Darzs Latvian Foundation

Qualified Opinion

I have audited the financial statements of **Kristus Darzs Latvian Foundation** ("the Organization"), which comprise the statement of financial position as at December 31, 2020 and the statements of operations, changes in net assets, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of my auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

Basis for Qualified Opinion

In common with many not-for-profit, Kristus Darzs Latvian Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of Kristus Darzs Latvian Foundation. I was not able to determine whether as at December 31, 2020 and for the the year then ended, any adjustments might be necessary to donation revenues, excess of revenues over expenses, assets and net assets.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Organization in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Organizations'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 Organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Entity'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 significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am 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 my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity 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.

I 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 I identify during my audit.

Richmond Hill, Ontario
May 10, 2021

Glenn Dennis CPA
Licensed Public Accountant

KRISTUS DARZS LATVIAN FOUNDATION

Statement of Financial Position

As at December 31, 2020

| ASSETS | 2020 | 2019 |
|---|---------------------|---------------------|
| Current | | |
| Cash and cash equivalents | \$ 329,769 | \$ 415,950 |
| Accounts receivable | 10,941 | 4,075 |
| Harmonized sales tax recoverable | 19,401 | 12,280 |
| | <hr/> | <hr/> |
| | 360,111 | 432,305 |
| Royal Bank of Canada Investments (note 2) | 1,442,665 | 1,689,286 |
| Clarington Investments (Note 3) | 400,655 | - |
| | <hr/> | <hr/> |
| | \$ 2,203,431 | \$ 2,121,591 |
| | <hr/> <hr/> | <hr/> <hr/> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 4,354 | \$ 9,040 |
| Due to Kristus Darzs Latvian Home | 26,017 | 2,730 |
| | <hr/> | <hr/> |
| | 30,371 | 11,770 |
| NETS ASSETS | | |
| Surplus | <hr/> | <hr/> |
| | 2,173,060 | 2,109,821 |
| | <hr/> | <hr/> |
| | \$ 2,203,431 | \$ 2,121,591 |
| | <hr/> <hr/> | <hr/> <hr/> |

Approved on behalf of the board

Director: _____

Director: _____

KRISTUS DARZS LATVIAN FOUNDATION

Statement of Changes in Net Assets
Year Ended December 31, 2020

| | 2020 | 2019 |
|--------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 2,109,821 | \$ 1,775,560 |
| Excess of revenues over expenditures | 63,239 | 334,261 |
| Balance, end of year | <u>\$ 2,173,060</u> | <u>\$ 2,109,821</u> |

KRISTUS DARZS LATVIAN FOUNDATION

Statement of Operations
Year Ended December 31, 2020

| | 2020 | 2019 |
|---|------------------------|-------------------------|
| Revenue | | |
| Donations | \$ 146,146 | \$ 452,685 |
| Interest | 31,446 | 40,887 |
| | <hr/> 177,592 | <hr/> 493,572 |
| Expenditures | | |
| Consulting - redevelopment costs | 55,771 | 123,935 |
| Donations (note 4) | 47,097 | 24,682 |
| Office and general | 4,608 | 3,876 |
| Fundraising costs | 1,930 | 3,533 |
| Professional fees | 2,100 | 2,079 |
| Advertising | - | 600 |
| Bank charges | 2,007 | 382 |
| Event costs | 841 | 225 |
| | <hr/> 114,354 | <hr/> 159,312 |
| Excess of revenues over expenditures | <hr/> \$ 63,238 | <hr/> \$ 334,260 |

KRISTUS DARZS LATVIAN FOUNDATION

Statement of Cash Flows
Year Ended December 31, 2020

| | 2020 | 2019 |
|---|--------------|--------------|
| Operating Activities | | |
| Excess of revenues over expenditures | \$ 63,238 | \$ 334,260 |
| Accounts receivable | (6,866) | (4,075) |
| Harmonized sales tax recoverable | (7,121) | (11,821) |
| Accounts payable and accrued liabilities | (4,683) | 6,588 |
| | <hr/> | <hr/> |
| Change in cash position | 44,568 | 324,952 |
| | <hr/> | <hr/> |
| Financing activities | | |
| Purchase of Clarington Investments | (400,655) | - |
| Due to Kristus Darzs Latvian Homes | 23,287 | 183 |
| | <hr/> | <hr/> |
| | (377,368) | 183 |
| | <hr/> | <hr/> |
| Cash, beginning of year | 2,105,234 | 1,780,099 |
| | <hr/> | <hr/> |
| Cash, end of year | \$ 1,772,434 | \$ 2,105,234 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Cash consists of: | | |
| Cash and cash equivalents | \$ 329,769 | \$ 415,948 |
| Cash - Guaranteed Investment Certificates | 1,442,665 | 1,689,286 |
| | <hr/> | <hr/> |
| | \$ 1,772,434 | \$ 2,105,234 |
| | <hr/> <hr/> | <hr/> <hr/> |

KRISTUS DARZS LATVIAN FOUNDATION

Notes to the Financial Statements

December 31, 2020

Nature of Operations

Kristus Darzs Latvian Foundation (the Organization") was incorporated under the Corporations Act (Ontario) by virtue of letters patent issued on September 26, 2008. The Organization commenced operations on May 14, 2010.

The Organization was formed to support Kristus Darzs Latvian Home and to fund activities contributing to or sustaining the home and other long-term care facilities with similar objectives.

The Foundation is a public foundation with registered charity status and is therefore exempt from income taxes under section 149(1)(l) of the Income Tax Act (Canada).

1. Significant accounting policies

The financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies used are as follow:

a) Contributed goods and services

Contributions or contributions-in-kind are recognized when received, in the fund corresponding to the purpose for which they were contributed. Where materials are received, the value of the contribution is recorded at appraised values as determined by independent professional appraisers or other independent means. Otherwise, contributions-in-kind are valued at estimate fair value.

The recognition of contributions-in-kind, as revenue, is limited to donations where the Organization takes possession or constructive title of the gift.

The efforts of volunteers are not reflected in the accompanying financial statements, as no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to the Organization.

b) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other instruments are subsequently recorded at cost or amortized cost. transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

c) Revenue recognition

Donations

Donations are recognized as revenue when the amounts to be received can be reasonably estimated and when ultimate collection is reasonably assured.

Bequests

Bequests are recognized as revenue when the amounts to be received can be reasonably estimated and when the ultimate collection is reasonably assured.

KRISTUS DARZS LATVIAN FOUNDATION

Notes to the Financial Statements

December 31, 2020

1. Significant accounting policies (continued)

c) Revenue recognition

Fundraising activities

Contributions from fundraising activities are recognized as revenue when the amounts received, or to be received can be reasonably estimated and where collection has not occurred, only when ultimate collection is reasonably assured.

Interest income

Interest income on investments is recorded as earned.

Deferral method of accounting

The Organization follows the deferral method of accounting for contributions.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount 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 year. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Royal Bank of Canada investment

| | 2020 | 2019 |
|---|-------------|-------------|
| Cash | \$ 2,052 | \$ 662,447 |
| Royal Bank of Canada GIC, bearing interest at 2.13% Maturing January 4, 2021 | 102,118 | - |
| RBC Mortgage Corp GIC, bearing interest at 2.13% Maturing January 4, 2021 | 102,118 | - |
| Royal Trust Corp GIC, bearing interest at 2.13% Maturing January 4, 2021 | 102,118 | - |
| B2B Bank GIC, bearing interest at 2.15% Maturing January 4, 2021 | 102,138 | - |
| Bank of Nova Scotia GIC, bearing interest at 2.13% Maturing January 4, 2021 | 102,118 | - |
| LBC Trust GIC, bearing interest at 2.15% Maturing January 4, 2021 | 102,140 | - |
| Equitable Bank GIC, bearing interest at 0.86% Maturing July 5, 2021 | 100,426 | - |
| Home Trust Company GIC, bearing interest at 0.90% Maturing July 5, 2021 | 100,446 | - |
| Keb Hana Bank Canada GIC, bearing interest at 0.85% Maturing July 8, 2021 | 100,410 | - |

KRISTUS DARZS LATVIAN FOUNDATION

Notes to the Financial Statements
December 31, 2020

| 2. Royal Bank of Canada investment (continued) | 2020 | 2019 |
|--|---------------------|---------------------|
| Canada Housing Trust No. 1 GIC, bearing interest at 2.65% Maturing March 15, 2022 | 311,091 | - |
| Province of Ontario Bond, bearing interest at 9.50% Maturing July 13, 2022 | 118,383 | - |
| Province of Quebec Bond, bearing interest at 4.40% Maturing December 1, 2022 | 97,107 | - |
| Equitable Bank GIC, bearing interest at 2.31% Maturing May 25, 2020 | - | 111,091 |
| Home Trust Company GIC, bearing interest at 2.35% Maturing May 25, 2020 | - | 101,417 |
| Laurentian Bank GIC, bearing interest at 2.30% Maturing May 25, 2020 | - | 101,386 |
| Canadian Tire Bank GIC, bearing interest at 2.28% Maturing July 3, 2020 | - | 110,674 |
| BMO Mortgage Corp GIC, bearing interest at 2.280% Maturing October 29, 2020 | - | 100,376 |
| Bank of Montreal GIC, bearing interest at 2.180% Maturing October 29, 2020 | - | 100,376 |
| DUO Bank Canada GIC, bearing interest at 2.220% Maturing October 29, 2020 | - | 100,383 |
| General Bank of Canada GIC, bearing interest at 2.20% Maturing October 29, 2020 | - | 100,380 |
| Home Equity Bank GIC, bearing interest at 2.170% Maturing October 29, 2020 | - | 100,375 |
| SBI Canada Bank GIC, bearing interest at 2.210% Maturing October 29, 2020 | - | 100,381 |
| | <hr/> | <hr/> |
| | \$ 1,442,665 | \$ 1,689,286 |

KRISTUS DARZS LATVIAN FOUNDATION

Notes to the Financial Statements
December 31, 2020

| 3. Clarington investments | 2020 | 2019 |
|----------------------------------|-------------|-------------|
| Clarington bond fund | \$ 400,655 | \$ - |

4. Gifts to qualified donee

During the year, the Organization made a donation of \$47,097 (2019 - \$24,682) to Kristus Darzs Latvian Home.

5. Financial instruments

Risks arising from financial instruments include:

Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Cash and cash equivalents are held in credit worthy financial institutions.

Liquidity Risk

Liquidity risk is the risk that Kristus Darzs Latvian Foundation will be able to fulfil its obligations on a timely basis or at a reasonable cost. Kristus Darzs Latvian Foundation manages its liquidity risk by monitoring its operating requirements and prepares budgets to ensure it has sufficient funds to fulfil its obligations. There has been no change to the risk exposures from 2019.