

KRISTUS DARZS LATVIAN HOME

FINANCIAL STATEMENTS
December 31, 2020

KRISTUS DARZS LATVIAN HOME
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December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of
Kristus Darzs Latvian Home

Opinion

I have audited the financial statements of Kristus Darzs Latvian Home ("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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations

Basis for Opinion

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 Organization'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 Organization's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 our auditor's report. However, future events or conditions may cause the Organization 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 3, 2021

Glenn Dennis CPA
Licensed Public Accountant

KRISTUS DARZS LATVIAN HOME

**Statement of Financial Position
As at December 31, 2020**

| | ASSETS | | 2020 | | 2019 |
|--|--------|----|-------------|----|-------------|
| <hr/> | | | | | |
| Current | | | | | |
| Cash | | \$ | 844,877 | \$ | 1,048,199 |
| Resident rent and federal housing | | | 28,399 | | 11,792 |
| Harmonized sales tax | | | 146,627 | | 60,129 |
| Prepaid expenses | | | 46,898 | | 35,440 |
| Due from Kristus Darzs Latvian Foundation | | | 26,017 | | 2,729 |
| | | | <hr/> | | <hr/> |
| | | | 1,092,818 | | 1,158,289 |
| Capital assets (note 5) | | | 1,135,240 | | 1,499,176 |
| | | | <hr/> | | <hr/> |
| | | \$ | 2,228,058 | \$ | 2,657,465 |
| | | | <hr/> <hr/> | | <hr/> <hr/> |
| <hr/> | | | | | |
| LIABILITIES AND NET ASSETS | | | | | |
| <hr/> | | | | | |
| Current | | | | | |
| Accounts payable and accrued liabilities | | \$ | 336,969 | \$ | 389,900 |
| Wages and benefits payable | | | 367,680 | | 298,445 |
| Current portion of mortgage payable (note 8) | | | - | | 54,913 |
| | | | <hr/> | | <hr/> |
| | | | 704,649 | | 743,258 |
| Deferred Contributions (note 9) | | | 421,859 | | 430,212 |
| | | | <hr/> | | <hr/> |
| | | | 1,126,508 | | 1,173,470 |
| <hr/> | | | | | |
| NET ASSETS | | | | | |
| <hr/> | | | | | |
| Net assets surplus | | | 826,487 | | 1,232,631 |
| Restricted | | | 118,952 | | 118,157 |
| Internally Restricted | | | 156,111 | | 133,207 |
| | | | <hr/> | | <hr/> |
| | | | 1,101,550 | | 1,483,995 |
| | | | <hr/> | | <hr/> |
| | | \$ | 2,228,058 | \$ | 2,657,465 |
| | | | <hr/> <hr/> | | <hr/> <hr/> |

Approved on behalf of the board

Director, _____

Director, _____

KRISTUS DARZS LATVIAN HOME

**Statement of Operations
Year ended December 31, 2020**

| | General Fund | Replacement Reserve Fund | Foundation Fund | December 31, 2020 | December 31, 2019 |
|--|--------------------------|--------------------------------|--------------------|-------------------------|-------------------------|
| Revenue | | | | | |
| Provincial subsidies (Notes 6 & 7) | \$ 4,980,296 | \$ - | \$ - | \$ 4,980,296 | \$ 4,843,985 |
| Fees from residents | 2,197,815 | - | - | 2,197,815 | 2,312,757 |
| Pandemic funding (Note 7) | 1,198,172 | - | - | 1,198,172 | - |
| Canada Mortgage & Housing Subsidy | 90,962 | - | - | 90,962 | 119,383 |
| Other income | 13,859 | - | - | 13,859 | 2,293 |
| Interest income | 2,723 | 795 | 629 | 4,147 | 7,373 |
| Donations - unrestricted | - | - | 23,050 | 23,050 | 5,075 |
| | <hr/> 8,483,827 | 795 | 23,679 | 8,508,301 | 7,290,866 |
| Expenses | | | | | |
| Nursing | 4,046,106 | - | - | 4,046,106 | 4,051,115 |
| Pandemic | 1,162,714 | - | - | 1,162,714 | - |
| Dietary | 788,618 | - | - | 788,618 | 729,048 |
| Housekeeping | 455,065 | - | - | 455,065 | 468,287 |
| General and administrative | 462,656 | - | 775 | 463,431 | 420,041 |
| Program and support services | 442,954 | - | - | 442,954 | 413,412 |
| Amortization | 402,021 | - | - | 402,021 | 367,695 |
| Building maintenance | 420,893 | - | - | 420,893 | 359,040 |
| Raw food | 350,111 | - | - | 350,111 | 351,729 |
| Facility costs | 168,476 | - | - | 168,476 | 187,253 |
| Laundry | 189,876 | - | - | 189,876 | 183,046 |
| Mortgage interest | 481 | - | - | 481 | 196 |
| | <hr/> 8,889,971 | - | 775 | 8,890,746 | 7,530,862 |
| Excess of revenue over expenses (expenses over revenue) | <hr/> <hr/> \$ (406,144) | \$ 795 | \$ 22,904 | \$ (382,445) | \$ (239,996) |

KRISTUS DARZS LATVIAN HOME

**Statement of Changes in Net Assets
As at December 31, 2020**

| | General Fund | Replacement Reserve Fund | Foundation Fund | December 31, 2020 | December 31, 2019 |
|---|-----------------|--------------------------------|--------------------|----------------------|----------------------|
| Balance, beginning of year | \$ 1,232,631 | \$ 118,157 | \$ 133,207 | \$ 1,483,995 | \$ 2,000,731 |
| Excess of revenue over expenses (expenses over revenues) | (406,144) | 795 | 22,904 | (382,445) | (276,740) |
| Balance, end of year | \$ 826,487 | \$ 118,952 | \$ 156,111 | \$ 1,101,550 | \$ 1,723,991 |

KRISTUS DARZS LATVIAN HOME

**Statement of Cash Flows
As at December 31, 2020**

| | 2020 | 2019 |
|--|--------------|--------------|
| Operating activities | | |
| Excess of expenses over revenue | \$ (382,445) | \$ (239,996) |
| Adjustments for non-cash items | | |
| Amortization | 402,021 | 367,695 |
| Amortization of deferred contributions | 25,060 | 25,060 |
| | 44,636 | 152,759 |
| Changes in non-cash working capital items | | |
| Residents rent and federal housing receivable | (16,607) | 42,508 |
| Harmonized sales tax receivable | (86,498) | 8,534 |
| Prepaid expenses | (11,458) | 103,624 |
| Due from Kristus Darzs Latvian Foundation | (23,288) | (182) |
| Accounts payable and accrued liabilities | (52,931) | 288,340 |
| Wages and benefits payable | 69,235 | (159,465) |
| | (76,911) | 436,118 |
| Investing activities | | |
| Purchase of equipment | (48,122) | (375,758) |
| Financing activities | | |
| Repayment of mortgage | (54,913) | (54,979) |
| Deferred Contributions | (23,376) | (23,376) |
| | (78,289) | (78,355) |
| Increase (decrease) in cash | (203,322) | (17,995) |
| Cash, beginning of year | 1,048,199 | 1,066,194 |
| Cash, end of year | \$ 844,877 | \$ 1,048,199 |

KRISTUS DARZS LATVIAN HOME

Notes to the Financial Statements December 31, 2020

Purpose of the Organization

Kristus Darzs Latvian Home (formerly The Kristus Darzs Foundation) (the "Organization") was incorporated by Letters Patent dated November 30, 1979 pursuant to section 2 of the Charitable Institution Act. The purpose of Kristus Darzs Latvian Home is to provide housing and care for the elderly of Ontario's Latvian community through the operation of a home for the aged under the Homes for the Aged Act and to promote the emotional and physical well-being of its residents by providing recreational, therapeutic and social programs.

The Organization is a registered charity organization as defined under Paragraph 149.1(1) of the Income Tax Act of Canada and thus is exempt from income taxes.

1. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

a) Capital assets

Capital assets are recorded at cost. The Organization provides for amortization using straight-line method at rates designed to amortize the cost of capital assets over their estimated useful lives. The annual amortization rates are as follows:

| | |
|------------------------|-------------------|
| Buildings | 5% Straight-line |
| Equipment | 20% Straight-line |
| Vehicles | 20% Straight-line |
| Furniture and fixtures | 20% Straight-line |
| Computer Equipment | 33% Straight-line |
| Septic system | 5% Straight-line |

The estimated useful lives of the assets are reviewed by management and adjusted if necessary.

b) Covid-19

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. The duration and impact of the COVID-19 pandemic on Kristus Darzs Latvian Home "the Home" is still unknown at this time. It is impossible to accurately predict the full effects or reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the Home which could have a material adverse effect on our business, results of operations, liquidity and financial condition.

Our revenue and operating results depend significantly on the occupancy levels at our nursing home residence. Restrictions on visits by or on behalf of prospective residents and restrictions on acceptance of new resident move ins as a precautionary measure to avoid the spread of COVID-19, similar to those implemented during the initial stages of the pandemic, may reoccur and such restrictions would be expected to result in decreases in occupancy levels. The COVID-19 pandemic could also result in direct impacts at our residences should they experience an outbreak; delays in accepting new residents due to quarantine, negative perceptions of congregate living, or otherwise; government directives prohibiting or limiting admissions to our residence; and potentially in decreases in the occupancy at our residence due to shorter lengths of stay.

The COVID-19 pandemic may cause a material increase in our operating costs and may cause an increase in general and administrative expenses. Enhanced procedures, protocols and care put in place to assist in reducing the likelihood of exposure of our residents and staff to the virus (including enhanced screening, personal protective equipment and other health and safety precautions) have resulted and will continue to result in increased costs. Although continued or enhanced government funding or assistance may mitigate some of these impacts, there is no certainty as to the extent to which that will be the case.

KRISTUS DARZS LATVIAN HOME

**Notes to the Financial Statements
December 31, 2020**

1. Significant accounting policies (continued)

c) Fund accounting

The Organization follows the deferral method of accounting for contributions.

The General Fund reports the assets, liabilities, income and expense relating to revenue from residents, government subsidies and expenses occurring from activities of operating the Nursing Home.

The Replacement Reserve Fund reports the externally restricted resources that are to be used for the repairs and maintenance of the Organization's facilities. Funds are dispersed at the direction of the Board of Directors and with approval of the Canada Mortgage and Housing Corporation ("CMHC"). As a condition of an agreement with CMHC, \$100,000 is transferred annually from operations to the Replacement Reserve Fund for future maintenance and development of the facilities.

The Foundation Fund comprises the assets, liabilities, net assets, revenues and expenses arising from internal bequests and other revenue generating activities. This internally restricted fund may be utilized only upon approval by a majority of the Board of Directors,

d) Impairment of long-lived assets

The Organization tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the long-lived assets may not be recoverable. Recoverability is assessed by comparing the carrying to the amount of the projected undiscounted future net cash flows that the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent carrying value exceeds its fair value.

e) Revenue Recognition

i) Fees from residents

Resident revenue is recognized as services and living space are provided, and is recorded in the General Fund.

ii) Provincial subsidies and Canada Mortgage and Housing Corporation subsidy.

The Organization receives monthly funding from the provincial government and as such these funds are subject to external restriction.

Government funding restricted for the purchase of capital assets is deferred and recognized as revenue in the same period in which the asset is acquired.

Government funding restricted to operating expenses of the current period is recognized as revenue of the current period and recorded in the General Fund.

Amounts received for future expenditures are recorded as deferred revenue and recognized in the period in which the expenditure is made.

KRISTUS DARZS LATVIAN HOME

Notes to the Financial Statements December 31, 2020

1. Significant accounting policies (continued)

iii) 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.

iv) Interest income on investments

Interest income on investments held for resale is recorded as earned.

v) Bequests

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

f) Disclosure of allocated expenses

The organization classifies expenses of the General Fund in accordance with the policies specified by the Ontario Ministry of Health and Long Term Care.

2. Replacement reserve funds

The Organization has a capital replacement reserve fund of \$118,952 (2019 - \$118,157) on deposit with the Latvian Credit Union. This balance is interest bearing and is designated for use towards capital projects.

3. Pension plan

The Organization recorded pension expenses of \$54,904(2019 - \$56,659) during the year for amounts contributed to a defined contribution plan. These assets are held separately from those of the organization in an independent administered fund. The pension expenses represent a matching contribution by the Organization equal to the contributions made by the employees to a prescribed maximum level of 2% of annual gross earnings as set out in the Pension Plan Agreement.

This expense was allocated to the following expense categories reported on the Statement of Operations; nursing and Personal Care, Laundry and Housekeeping, General and Administration, Program and Support Services and Building Maintenance.

All contributions to the plan were made to the plan's administrator during the year. Total employer and employee contributions amounted to \$109, 808 (2019 - \$113,318). There was no significant change to the plan during the year.

KRISTUS DARZS LATVIAN HOME

Notes to the Financial Statements December 31, 2020

4. Inter-fund activity

Replacement reserve contribution - transfers totaling \$100,000 took place during the year from the General Fund to the Replacement Reserve Fund in accordance with terms and conditions set out in the MOHLTC service agreement as well as undertakings made in prior periods in order to qualify for additional funding. Transfers from the Replacement Reserve Fund for the purchase of equipment totaling \$Nil (2019-\$553,888) to the General Fund occurred during the year.

Inter-fund loans in favour of the Foundation Fund to the General Fund for \$125,000 remain outstanding. These loans are non-interest bearing and repayable upon demand to the Foundation Fund.

5. Capital assets

| | Cost | Accumulated Amortization | 2020 Net | 2019 Net |
|------------------------|---------------------|-----------------------------|---------------------|---------------------|
| Land | \$ 220,218 | \$ - | \$ 220,218 | \$ 220,219 |
| Buildings | 6,184,183 | 5,960,685 | 223,498 | 385,845 |
| Equipment | 1,320,625 | 770,853 | 549,772 | 681,025 |
| Furniture and fixtures | 1,633,194 | 1,538,303 | 94,891 | 147,466 |
| Septic system | 355,195 | 308,334 | 46,861 | 64,621 |
| | <u>\$ 9,713,415</u> | <u>\$ 8,578,175</u> | <u>\$ 1,135,240</u> | <u>\$ 1,499,176</u> |

6. Economic dependence

Kristus Darzs Latvian Home generated approximately 59% (2019 - 62%) of its revenues from funding agreements it has entered into with the Ministry of Health and Long-Term Care (MOHLTC). The viability of the Organization's ongoing operations depend on the continuance of this funding.

7. Government assistance

The Organization received \$4,980,294 (2019 - 4,843,985) in funding from the Government of Ontario through the Ministry of Health and Long-Term Care ("MOHLTC"). This funding represented approximately 59% (2019 - 63%) of the total funding received.

The Organization is a party to a service agreement with the MOHLTC which permits it to operate a long term care facility. The service agreement sets out the terms and conditions related to the government funding. The Organization provides an annual report and reconciliation to the MOHLTC. The annual reconciliation calculates any amounts to be repaid to the MOHLTC or which remaining owing by the ministry to the Organization. Amounts repayable are estimated and accrued in the financial statements. Funding provided to the Organization by the MOHLTC is subject to final review and approval. As at the date of these financial statements, the funding for 2020 has yet to be reconciled by the MOHLTC. Any adjustments required as a result of their review will be accounted for upon settlement in the year of reconciliation by ministry staff.

The MOHLTC holds a right to terminate the service agreement if it determines that the Organization is in breach of its terms and conditions and the breach is not cured within an established time period following written notice of the breach being provided.

KRISTUS DARZS LATVIAN HOME

**Notes to the Financial Statements
December 31, 2020**

7. Government assistance (continued)

The Home received \$1,198,172 in government funding related to crisis management and incurred expenses of \$1,162,714 related to the crisis. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the business is not known at this time. The current challenging economic climate may lead to adverse changes in the resident income, debts levels, cash flows and/or working capital levels, which may also have a direct impact on the operating results and financial position of the business in the future.

8. Mortgage payable

| | 2020 | 2019 |
|--|-------------|-------------|
| Mortgage payable, interest rate 1.01% , maturing December 1, 2020 repayable \$4,795 monthly principle and interest, secured by land and building | \$ - | \$ 53,778 |
| Less: Current portion | - | 53,778 |
| | <u>\$ -</u> | <u>\$ -</u> |

9. Deferred Contributions

The deferred contributions related to equipment is being amortized over the estimated useful life of the related assets. Amortization of \$32,654 (2019 - \$11,546) has been recorded during the year.

10. Financial Instruments

Fair values

As at December 31, 2020, the Organization believes that the carrying values of resident rent receivable, accounts payable and accrued liabilities, wages and benefits payable and government assistance repayable approximate their fair values because of their nature and relatively short maturity dates or durations.

The carrying value of mortgage payable approximates fair value based on the mortgage bearing interest at market rates for similar instruments with similar terms on the market at December 31, 2020.

Risks arising from financial instruments

Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Kristus Darzs Latvian Home is exposed to credit risk with respect to residents rent receivable and other receivables. Kristus Darzs Latvian Home assess on a continuous basis, residents rent receivable and provides for any amounts that are not collectible. Cash and cash equivalents are held in creditworthy financial institutions.

Liquidity Risk

Liquidity risk is the risk that Kristus Darzs Latvian Home will not be able to fulfill its obligations on a timely basis or at a reasonable cost. Kristus Darzs Latvian Home manages its liquidity risk by monitoring its operating requirements and prepares budgets to ensure it has sufficient funds to fulfil its obligations. Trade payables and accrued liabilities are generally repaid within 30 days. There has been no change to the risk exposures from 2020.