KRISTUS DARZS LATVIAN HOME
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2023

KRISTUS DARZS LATVIAN HOME

Financial Statements
December 31, 2023

Index	**Page**
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Operations and Net Funds	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 10

AKLER BROWNING LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Directors of Kristus Darzs Latvian Home

Opinion
We have audited the financial statements of Kristus Darzs Latvian Home (the "organization"), which comprise the statement of financial position as at December 31, 2023, and the statements of operations and net funds 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 Organization as at December 31, 2023, 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 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 Organization 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.

Other Matter
The financial statements of the Organization for the year ended December 31, 2022 were audited by another Licensed Public Accountant who expressed an unqualified opinion in their Independent Auditor's Report dated May 16, 2023.

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 Organization'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
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:

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INDEPENDENT AUDITOR'S REPORT, continued

- 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 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 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 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.

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.

Akler Browning LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
June 25, 2024

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KRISTUS DARZS LATVIAN HOME
Statement of Financial Position
December 31, 2023

	2023	2022
Assets		
Current		
Cash	$ 1,132,284	$ 1,170,564
Accounts receivable	28,811	67,989
HST rebate receivable	329,282	165,982
Prepaids	61,721	60,874
Total Current Assets	1,552,098	1,465,409
Property and equipment (Note 2)	801,187	948,634
Restricted funds (Note 3)	314,251	314,251
Total Assets	$ 2,667,536	$ 2,728,294
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 682,870	$ 616,794
Payable to funder	703,087	516,729
Deferred revenue	95,265	108,771
Total Current Liabilities	1,481,222	1,242,294
Deferred capital contributions (Note 4)	65,950	349,323
Total Liabilities	1,547,172	1,591,617
Fund Balances		
General Fund	806,113	822,426
Replacement Reserve Fund	119,234	119,234
Foundation Fund	195,017	195,017
Total Fund Balances	1,120,364	1,136,677
Total Liabilities and Fund Balances	$ 2,667,536	$ 2,728,294

Approved on behalf of the board

Director, _____ Director, _____

Date, June 25, 2024

KRISTUS DARZS LATVIAN HOME
Statement of Operations and Net Funds
For the year ended December 31, 2023

	General Fund	Replacement Reserve Fund	Foundation Fund	2023	2022
Revenues					
Subsidy: Ministry of Health and Long Term Care (Note 5)	$ 7,690,660	$ -	$ -	$ 7,690,660	$ 7,490,175
Fees from residents	2,494,468	-	-	2,494,468	2,267,053
Amortization of deferred capital contributions (Note 4)	308,787	-	-	308,787	110,824
Donations	43,200	-	-	43,200	1,945
Interest and other income	19,482	-	-	19,482	17,305
	10,556,597	-	-	10,556,597	9,887,302
Expenditures					
Nursing	6,136,195	-	-	6,136,195	4,699,395
Dietary	904,362	-	-	904,362	891,404
Program and support services	656,843	-	-	656,843	548,767
Housekeeping	564,219	-	-	564,219	479,575
Building maintenance	529,188	-	-	529,188	436,353
General and administrative	528,791	-	-	528,791	475,024
Raw food	448,344	-	-	448,344	399,853
Facility costs	279,616	-	-	279,616	223,970
Laundry	203,675	-	-	203,675	192,721
Amortization	167,499	-	-	167,499	235,083
Bad debts	92,170	-	-	92,170	-
Pandemic	62,008	-	-	62,008	898,642
	10,572,910	-	-	10,572,910	9,480,787
(Deficiency) excess of revenues over expenditures	(16,313)	-	-	(16,313)	406,515
Funds, beginning of year	822,426	119,234	195,017	1,136,677	730,162
Funds, end of year	$ 806,113	$ 119,234	$ 195,017	$ 1,120,364	$ 1,136,677

KRISTUS DARZS LATVIAN HOME
Statement of Cash Flows
For the year ended December 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	$ (16,313)	$ 406,515
Adjustments for non-cash items		
Amortization	167,499	235,083
	151,186	641,598
Change in non-cash working capital items		
Accounts receivable	39,178	(44,254)
HST rebate receivable	(163,300)	(74,808)
Prepaids	(846)	(8,957)
Accounts payable and accrued liabilities	66,077	(137,008)
Payable to funder	186,357	823,906
Deferred revenue	(13,507)	(289,712)
	113,959	269,167
Cash Provided by Operating Activities	265,145	910,765
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment	(20,052)	(208,541)
Restricted funds	-	(314,251)
Cash Used In Investing Activities	(20,052)	(522,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital contributions	(283,373)	349,323
Due to Foundation	-	(300,000)
Cash Used in Financing Activities	(283,373)	49,323
(Decrease) increase in cash	(38,280)	437,296
Cash, beginning of year	1,170,564	733,268
Cash, end of year	$ 1,132,284	$ 1,170,564

NATURE OF OPERATIONS

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(l) 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) **Fund accounting**

The accounts of the organization are maintained in accordance with the principles of fund accounting by which resources for various purposes are classified for accounting and reporting purposes into funds relating to the specific activities and operations. These funds are as follows:

(i) **General Fund**

The General Fund is for the unrestricted use of the Organization and reflects the financial position and results from operations of the Organization.

(ii) **Replacement Reserve Fund**

The Replacement Reserve Fund reports the internally restricted resources that are to be used for the repairs and maintenance of the Organization's facilities. Funds are disbursed at the direction of the Board of Directors.

(iii) **Foundation Fund**

The Foundation Fund comprises the internally restricted assets arising from internal bequests and other revenue generating activities. Funds are disbursed at the direction of the Board of Directors.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(b) **Property and Equipment**

Property and equipment held by the Organization is accounted for at cost and amortized over their estimated useful life using the straight-line method at the following rates:

Building	20 years
Well	20 years
Equipment	5 years
Furniture and fixtures	5 years
Septic system	20 years

(c) **Impairment of long-lived assets**

Property and equipment other than land and building are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

(d) **Deferred capital contributions**

The Organization received funding for the purpose of acquiring property and equipment. The contributions are recognized as revenue on the same basis as those used to amortize the property and equipment. The unamortized portion of the contributions is shown on the statement of financial position as deferred capital contributions.

(e) **Revenue recognition**

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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. Annual contributions in the form of subsidies are subject to revision upon filing of an annual return with the respective funders.

Resident fees, investment, and other income are recognized on the accrual basis in their respective funds.

(f) **Contributed services**

The Organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Due to the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The fair market value of donated property and equipment is recognized as donation revenue in the year the property and equipment are donated, if the fair market value can be reasonably estimated.

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) **Allocated expenses**

The Organization allocates certain expenses of the General Fund by identifying the appropriate basis of allocating each component expense and applying the basis consistently each year. The expenses and/or recoveries are included in the statement of operations of the related funds.

(h) **Financial instruments**

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the respective fund.

Financial assets measured at amortized cost include cash, accounts receivable and HST rebate receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and payable to funder.

The Organization has not designated any financial asset or financial liability to be measured at fair value.

Impairment

For financial assets measured at amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenues over expenditures. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenues over expenditures.

(i) **Use of estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenditures for the period covered. The main estimates relate to the impairment of financial assets and the estimated useful life of property and equipment.

2. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	2023 Net	2022 Net
Land	$ 220,218	$ -	$ 220,218	$ 220,218
Building	6,219,817	6,062,025	157,792	171,026
Well	174,121	8,706	165,415	174,121
Equipment	1,341,995	1,183,119	158,876	252,853
Furniture and fixtures	1,714,232	1,642,973	71,259	95,315
Septic system	380,729	353,102	27,627	35,101
	$ 10,051,112	$ 9,249,925	$ 801,187	$ 948,634

3. RESERVE FUND

The balance consists of cash held in a high interest savings account.

4. DEFERRED CAPITAL CONTRIBUTIONS

	2023	2022
Opening balance	$ 349,323	$ 398,483
Add: Contributions received in the year	25,414	61,664
Less: Amounts amortized to revenue	(308,787)	(110,824)
Closing balance	$ 65,950	$ 349,323

5. GOVERNMENT ASSISTANCE

The Organization received $7,690,660 (2022 - $7,490,175) in funding from the Ministry of Health and Long-Term Care ("MOHLTC").

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 or which remains owing by the MOHLTC to the Organization. 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 2021 to 2023 has yet to by reconciled by the MOHLTC. Any adjustments required as a result of their review will be accounted for upon settlement in the year of reconciliation.

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.

6. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) **Credit risk**

Credit risk is the risk that one party to a financial transaction will cause a financial loss for the other party by failing to discharge an obligation. The Organization's credit risk is mainly related to resident fee receivables and amounts due from government agencies.

(b) **Liquidity risk**

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect to its trade accounts payable. The organization expects to meet these obligations as they come due by generating sufficient cash flow from operations combined with the receipt of monthly subsidies from its funder.

(c) **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 comprises three types of risk: currency risk, interest rate risk and other price risk. The Organization has no significant exposure to these risks.

7. COMPARATIVE FIGURES

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.