KRISTUS DARZS LATVIAN HOME

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2025

Draft for discussion

KRISTUS DARZS LATVIAN HOME
Financial Statements
December 31, 2025

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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, 2025, and the statements of changes in replacement reserve fund, changes in foundation fund, changes in operating fund, operations 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, 2025, 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.

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.

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
May 13, 2026

Draft for discussion

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KRISTUS DARZS LATVIAN HOME
Statement of Financial Position
December 31, 2025

	2025	2024
Assets		
Current		
Cash	$ 1,419,832	$ 1,590,939
Accounts receivable (note 2)	35,730	45,705
Sundry receivable	140,574	93,985
HST rebate receivable	77,966	223,183
Prepaids	98,021	82,057
Total Current	1,772,123	2,035,869
Capital assets (note 3)	620,336	639,314
Restricted funds (note 4)	307,330	314,251
Total Assets	$ 2,699,789	$ 2,989,434
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 605,315	$ 755,668
Government remittances payable	62,222	50,761
Payable to funder (note 7)	1,145,694	943,903
Deferred contributions (note 5)	191,345	336,033
Total Current	2,004,576	2,086,365
Deferred capital contributions (note 6)	137,745	49,757
Total Liabilities	2,142,321	2,136,122
Fund Balances		
Replacement Reserve Fund - internally restricted	112,313	119,234
Foundation Fund - internally restricted	195,017	195,017
Operating Fund - unrestricted	250,138	539,061
Total Fund Balances	557,468	853,312
Total Liabilities and Fund Balances	$ 2,699,789	$ 2,989,434

Approved on behalf of the Board:

_____ Director _____ Director

_____ Date

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KRISTUS DARZS LATVIAN HOME

Statement of Changes in Replacement Reserve Fund
Year ended December 31, 2025

	2025	2024
Balance, beginning of year	$ 119,234	$ 119,234
Deduct		
Disbursements	(6,921)	-
Balance, end of year	$ 112,313	$ 119,234

Statement of Changes in Foundation Fund
Year ended December 31, 2025

	2025	2024
Balance, beginning and end of year	$ 195,017	$ 195,017

Statement of Changes in Operating Fund
Year ended December 31, 2025

	2025	2024
Balance, beginning of year	$ 539,061	$ 806,113
Deduct		
Deficiency of revenues over expenditures	(288,923)	(267,052)
Balance, end of year	$ 250,138	$ 539,061

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KRISTUS DARZS LATVIAN HOME
Statement of Operations
Year ended December 31, 2025

	2025	2024
Revenues		
Subsidy: Ministry of Health and Long Term Care (note 7)	$ 9,044,545	$ 8,754,787
Fees from residents	2,626,424	2,581,611
Interest and other	137,597	13,353
Donations	20,415	7,000
	11,828,981	11,356,751
Expenditures		
Nursing	7,733,699	7,080,443
Dietary	876,318	870,860
Program and support services	703,580	696,572
General and administrative	668,817	528,811
Building maintenance	540,953	781,269
Raw food	487,287	469,128
Housekeeping	468,393	539,563
Facility costs	271,262	273,413
Laundry	248,879	217,353
Bad debts	12,365	20,711
	12,011,553	11,478,123
Deficiency of revenues over expenditures before other items	(182,572)	(121,372)
Other items		
Amortization	(143,356)	(161,873)
Amortization of deferred capital contributions	37,005	16,193
	(106,351)	(145,680)
Deficiency of revenues over expenditures for the year	$ (288,923)	$ (267,052)

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KRISTUS DARZS LATVIAN HOME
Statement of Cash Flows
Year ended December 31, 2025

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenues over expenditures for the year	$ (288,923)	$ (267,052)
Adjustments for non-cash items		
Amortization of deferred capital contributions	(37,005)	(16,193)
Amortization	143,356	161,873
	(182,572)	(121,372)
Net change in non-cash working capital items		
Accounts receivable	9,975	(23,314)
Sundry receivable	(46,589)	(87,566)
HST rebate receivable	145,217	106,099
Prepaids	(15,964)	(20,336)
Accounts payable and accrued liabilities	(150,355)	96,077
Government remittances payable	11,461	27,483
Deferred contributions	(144,688)	240,768
Payable to funder	201,791	240,816
	10,848	580,027
Cash (Used in) Provided by Operating Activities	(171,724)	458,655
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(124,376)	-
Cash Used in Investing Activities	(124,376)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred capital contributions	124,993	-
Cash Provided by Financing Activities	124,993	-
Net (decrease) increase in cash	(171,107)	458,655
Cash, beginning of year	1,590,939	1,132,284
Cash, end of year	$ 1,419,832	$ 1,590,939

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NATURE OF OPERATIONS

Kristus Darzs Latvian Home was incorporated by Letters Patent dated November 30, 1979 pursuant to section 2 of the Charitable Institution Act. The purpose of the organization 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 accounting 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) 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.

(ii) 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.

(iii) Operating fund

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

(b) Capital assets

Capital assets are accounted for at cost and amortized over their estimated useful life using the straight-line method at the following durations.

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

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1. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Impairment of long-lived assets

Capital assets subject to amortization 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 their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value and is included in amortization of capital assets, when applicable.

(d) Deferred capital contributions

The organization received funding for the purpose of acquiring capital assets. The contributions are recognized as revenue on the same basis as those used to amortize the capital assets. 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 funder.

Fees from residents and investment and other income are recognized as earned 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 capital assets are recognized as donation revenue in the year the capital assets are donated, if the fair market value can be reasonably estimated.

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1. SIGNIFICANT ACCOUNTING POLICIES, continued

(g) Financial instruments

Measurement of financial instruments

The organization initially measures its financial assets and liabilities at fair value.

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 sundry 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.

(h) 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 expenses for the periods covered. The main estimates relate to the impairment of financial assets, the estimated useful life of capital assets, payable to funder and accrued liabilities.

(i) Cloud computing arrangements

The organization applies the simplification approach to account for expenditures in cloud computing arrangements. Expenditures are treated as a supply of services and are expensed as incurred.

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2. ACCOUNTS RECEIVABLE

	2025	2024
Accounts receivable from residents	$ 62,279	$ 57,775
Allowance for doubtful accounts	(26,549)	(12,070)
	$ 35,730	$ 45,705

3. CAPITAL ASSETS

	Cost	Accumulated amortization	2025 Net	2024 Net
Land	$ 220,218	$ -	$ 220,218	$ 220,218
Building	6,219,817	6,128,596	91,221	124,507
Well	174,123	26,118	148,005	156,709
Equipment	1,341,995	1,341,995	-	64,898
Furniture and fixtures	1,828,082	1,700,572	127,510	47,203
Septic system	380,729	356,799	23,930	25,779
Computer equipment	10,526	1,074	9,452	-
	$ 10,175,490	$ 9,555,154	$ 620,336	$ 639,314

4. RESERVE FUND

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

5. DEFERRED CONTRIBUTIONS

	2025	2024
Balance, beginning of year	$ 336,033	$ 95,265
Amount of subsidy and donations received	9,085,191	8,995,555
Amount recognized as revenue	(9,229,879)	(8,754,787)
	$ 191,345	$ 336,033
Subsidy - Ministry of Health and Long Term Care	$ 191,345	$ 330,568
Donations	-	5,465
	$ 191,345	$ 336,033

As at December 31, 2025 and December 31, 2024 Ministry of Health and Long Term Care ("MOHLTC") funds are intended to fund operations, but are restricted as to the period of use. Donations are externally restricted for various programs.

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6. DEFERRED CAPITAL CONTRIBUTIONS

	2025	2024
Balance, beginning of year	$ 49,757	$ 65,950
Contributions received in the year	124,993	-
Amortization of deferred capital contributions	(37,005)	(16,193)
Balance, end of year	$ 137,745	$ 49,757

7. GOVERNMENT ASSISTANCE AND GRANTS

The organization received $9,044,545 (2024 - $8,754,787) in funding from the 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 2023 to 2025 has yet to have been 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.

8. PENSION PLAN

The organization participates in a multi-employer defined contribution pension plan which includes all union employees. The organization also contributes to a defined contribution plan which was established for its non-union employees. Participation in these plans are not mandatory. Contributions made by the organization of $138,313, (2024 - $119,978) are recognized in the Statement of Operations throughout the various expenditures.

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9. CONTINGENCY

In December 2020, the Ontario government passed Bill 218, Supporting Ontario Recovery Act (Ontario), which provides targeted liability protection against COVID-19 exposure related claims against organizations that made a "good faith" effort to act in accordance with public health guidelines and laws relating to COVID-19 and did not otherwise act with gross negligence. The protection under Bill 218 is retroactive to March 17, 2020 when Ontario first implemented emergency measures as part of its response to the COVID-pandemic.

In 2020, multiple organizations were served with a statement of claim naming them in a class action suit. The claim alleges that the organization along with other care centres failed to protect the residents living in their facilities. The claim seeks damages of $100 million, plus interest and costs from multiple defendants.

This matter related to potential COVID-19 litigation remains ongoing and the outcome is non-determinable. These matters are generally covered by insurance other than the deductible amounts of the claim. An estimate as to the financial exposure to the organization cannot be made at this time. Any settlement relating to the claim will be reflected as a charge to the statement of operations when an amount payable is known and payment becomes likely or in the year of settlement.

10. 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) Liquidity risk

Liquidity risk is the risk that the organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization's exposure 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 funders. There has been no change to the risk exposure from the prior year.

(b) 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 main credit risk relates to its resident receivables and amounts due from government agencies. Tenant receivables represent rental charges that are at least one month past due. There has been no change to the risk exposure from the prior year.

(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.

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11. CLOUD COMPUTING ARRANGEMENTS

During the year, the organization expensed $96,756 (2024 - $87,145) with respect to cloud computing arrangements which is included in nursing, general and administrative and building maintenance expense.

12. 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.

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