

Ukrainian Home for the Aged
ANNUAL FINANCIAL STATEMENTS
March 31, 2013

AUDITORS' REPORT

To the Board of Directors
Ukrainian Home for the Aged

We have audited the accompanying financial statements of Ukrainian Home for the Aged, which comprise the statement of financial position as at March 31, 2013 and 2012 and April 1, 2011 (*notes 1 and 13*) and the statements of operations, statement of changes in net assets and statement of cash flows for the years ended March 31, 2013 and 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ukrainian Home for the Aged as at March 31, 2013 and 2012 and April 1, 2011, and its financial performance and its cash flows for the years ended March 31, 2013 and 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants
Licensed Public Accountants

June 26, 2013

Ukrainian Home for the Aged

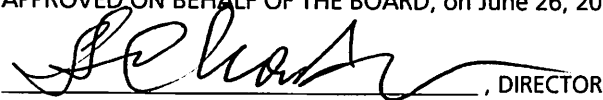
STATEMENT OF FINANCIAL POSITION

March 31, 2013

Statement 1

	2013	2012
ASSETS		
Current		
Cash and short-term deposits	\$835,558	\$800,257
Accounts receivable	99,379	44,144
Prepaid expenses and deposits	46,588	46,401
	981,525	890,802
Cash and short-term deposits - restrictions on use (note 2)	542,573	362,690
Property and equipment (note 3)	4,724,469	4,811,990
	\$6,248,567	\$6,065,482
LIABILITIES		
Current		
Accounts payable and accrued liabilities (note 14)	\$440,008	\$326,379
Provincial government subsidy advances (note 4)	49,644	111,000
Deferred government contributions		
- Replacement Reserve (note 5)	133,408	162,403
Unamortized deferred contributions for capital assets (note 6)	561,139	563,708
Current portion of long-term liabilities	166,500	165,050
	1,350,699	1,328,540
Long-term – mortgage loans (note 7)	540,207	708,841
	1,890,906	2,037,381
NET ASSETS (Statement 2)		
Donations Reserve Fund	408,092	200,287
General Fund	3,949,569	3,827,814
	4,357,661	4,028,101
	\$6,248,567	\$6,065,482

APPROVED ON BEHALF OF THE BOARD, on June 26, 2013 :

 , DIRECTOR

 , DIRECTOR

Refer to the accompanying notes.

Ukrainian Home for the Aged

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31, 2013

Statement 2

			2013	2012
	General Fund - unrestricted	Donations Reserve Fund - internally restricted	Total	Total
Changes in fund balances for the year				
Excess revenues over expenses (expenses over revenues) <i>(Statement 3)</i>				
Toronto operations	\$90,924	\$ -	\$90,924	\$136,227
Mississauga operations	466	-	466	787
Donations Reserve Fund	-	207,805	207,805	200,287
	91,390	207,805	299,195	337,301
Annual allocation to deferred contributions - Replacement Reserve <i>(note 5)</i>	(15,900)	-	(15,900)	(15,900)
Transfers from Deferred contributions - Replacement Reserve to general fund for qualifying expenses	21,905	-	21,905	-
Transfers from Deferred contributions - Replacement Reserve to general fund for capital additions	24,360	-	24,360	10,351
Net changes for the year	121,755	207,805	329,560	331,752
Fund balances, beginning of year	3,827,814	200,287	4,028,101	3,696,349
Fund balances, end of year	\$3,949,569	\$408,092	\$4,357,661	\$4,028,101

Refer to the accompanying notes.

Ukrainian Home for the Aged

STATEMENT OF OPERATIONS

Year ended March 31, 2013

Statement 3

	2013			2012	
	General Fund		Donations Reserve Fund	Total	
	Toronto operations	Mississauga operations		Total	
Revenues					
Provincial operating subsidies for care <i>(note 4)</i>	\$3,536,822	\$401,885	\$ -	\$3,938,707	\$3,839,763
Residents' fees	1,675,087	1,108,029	-	2,783,116	2,669,414
Federal government mortgage subsidy grant under Section 95 of the National Housing Act	-	93,834	-	93,834	111,097
Provincial subsidies for training and implementations	52,800	17,925	-	70,725	62,594
Federal Summer Jobs grant	5,536	11,716	-	17,252	9,225
Government contributions for capital asset repairs	-	71,346	-	71,346	196,850
Amortization of deferred gov. contrib. for capital assets	3,000	36,286	-	39,286	36,137
Donations	1,026	189,000	206,092	396,118	315,287
Sundry and interest	-	-	1,713	1,713	1,757
	5,274,271	1,930,021	207,805	7,412,097	7,242,124
Expenses <i>(note 8)</i>					
Resident care costs	4,340,146	660,936	-	5,001,082	4,759,811
Building maintenance, utilities and insurance	432,249	741,007	-	1,173,256	1,178,213
Administrative and general	362,850	343,223	-	706,073	683,640
Mortgage interest	12,042	9,917	-	21,959	39,529
Amortization of buildings and equipment	36,060	174,472	-	210,532	243,630
	5,183,347	1,929,555	-	7,112,902	6,904,823
Excess revenues over expenses (expenses over revenues) for the year	\$90,924	\$466	\$207,805	\$299,195	\$337,301

Refer to the accompanying notes.

Ukrainian Home for the Aged

STATEMENT OF CASH FLOWS

Year ended March 31, 2013

Statement 4

	2013	2012
Cash provided by (used for):		
Operating activities		
Operating revenue sources	\$6,898,119	\$6,968,271
Donation revenues	396,188	315,287
Payments on account of expenses	(6,788,928)	(6,642,392)
	505,379	641,166
Investment activities		
Purchases of equipment	(123,011)	(315,135)
Financing activities		
Repayments of mortgage loans	(167,184)	(158,312)
Net change in cash subject to restrictions on use reflected in activities above	(179,883)	(60,845)
Net increase (decrease) in cash for the year	35,301	106,874
Cash and short-term deposits, beginning of year	800,257	693,383
Cash and short-term deposits, end of year	\$835,558	\$800,257

Refer to the accompanying notes.

Ukrainian Home for the Aged

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

Nature and Purpose of Organization

Ukrainian Home for the Aged is an organization whose primary objects are to provide residences, nursing care, meals and social activity for seniors. Ukrainian Home for the Aged is incorporated by letters patent under the Corporations Act of Ontario as a not-for-profit organization without share capital. Any surplus earned by the corporation is to be used in promoting its objects. The organization is a registered charity under provisions of the Income Tax Act (Canada). As a qualifying registered charity operating a care home and specified services to seniors, the organization is exempt from municipal property taxation.

1 / Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (CAS-NPO). The organization elected to adopt CAS-NPO during the year, in accordance with requirements of generally accepted accounting principles. Further information about this change is in note 13.

a. Fund accounting

The Organization utilizes the fund method of accounting for financial reporting. The Donations Reserve Fund, established by the Board of Directors during the year, represents a portion of donations received by the organization, as determined by the Board of Directors, that is not applied to operations. The Fund's resources may only be used with prior approval of the Board. The principal purposes for which reserve resources may be used are: a) purchases of capital assets, b) major repairs of capital assets, c) temporary supplements to operating revenues and d) other urgent essential needs.

b. Financial instruments

All of the organization's financial instruments are stated at amortized cost, less impairment of value if any.

c. Property, equipment and amortization

Property and equipment purchases are accounted for in a manner that amortizes their cost over their estimated useful lives. The Organization uses the straight-line method and the following rates of amortization: buildings - 40 years; equipment, fixtures and furnishings - 5 to 20 years; security and call system - 10 years; parking areas and driveways - 8 years; computers - 5 years. The costs of land, art and artifacts are not amortized.

d. Revenue recognition

Provincial operating subsidies for care and resident fee revenues are recognized as the services are provided.

The deferred contribution method of accounting is applied to Deferred Government Contributions - Replacement Reserve. The deferred contributions are recognized as revenue at the time the related expense is incurred.

Contributions, other than deferred, are recognized as revenue in the year in which the amount is received or becomes receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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Ukrainian Home for the Aged

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

1 / Significant Accounting Policies (continued)

e. Contributed goods and services

The values of significant donated goods and commercial services are recorded at fair value. The Organization also benefits from volunteer efforts. Since the monetary value of volunteers' contributed services is difficult to determine, the value of these services has not been recognized in these financial statements.

f. Allocations of expenses

Personnel costs are allocated to functions reported on the statement of operations. Allocations are made on the basis of reasonable estimates of time, space and other usage criteria, as appropriate. Additional expenses of the reported functions consist of directly related costs.

g. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make reasonable estimates and assumptions that affect various amounts reported in these financial statements. Actual results can vary from these estimates.

h. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances on deposit with chartered banks.

2 / Cash with Restrictions on Use

Cash is restricted for the purposes of meeting obligations of deferred government contributions, described in note 5, and for the Donation Reserve fund, described in note 1.

3 / Property and Equipment

			2013	2012
	Cost	Accumulated Amortization	Net	Net
Land	\$488,303	\$ -	\$488,303	\$488,303
Buildings	5,782,585	2,007,058	3,775,527	3,818,578
Equipment, fixtures and furnishings	790,221	506,009	284,212	325,682
Fine art and artifacts	162,677	-	162,677	162,677
Parking areas and driveways	24,000	10,250	13,750	16,750
	\$7,247,786	\$2,523,317	\$4,724,469	\$4,811,990

All land and buildings secure mortgage loans described in note 7 below.

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Ukrainian Home for the Aged

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

4 / Provincial Government Subsidies for Care

The Ministry of Health of the Province of Ontario provides advance payments on account of subsidies. The actual subsidy amounts are calculated in accordance with the terms of the funding agreement after the end of each fiscal year. The Organization calculates an estimated amount of subsidies earned each year according to its interpretations of resident care requirements and its understanding of the terms of the agreement. Amounts received but unearned at the end of the fiscal year are shown as a liability on the balance sheet. Ministry reviews of the earned subsidy claim may result in account adjustments, which could be significant. At the time of issuance of these financial statements, Ministry reviews of the claims affecting the 2011, 2012 and 2013 fiscal years had not been completed. Resulting adjustments are recorded as additions or deductions to subsidy revenue in the year the estimates are revised or when the claim amounts are confirmed.

	2013	2012
Advances, beginning of year	\$111,000	\$102,000
Received during the year	3,904,351	3,911,357
Subsidies earned – revenue for the year	(3,965,707)	(3,902,357)
Advances, end of year	\$49,644	\$111,000

5 / Deferred Government Contributions - Replacement Reserve

				2013	2012
	Toronto - General	Mississauga - General	Specific	Total	Total
Balance, beginning of year	\$56,174	\$106,229	\$ -	\$162,403	\$301,845
Prescribed allocations from the general fund	2,000	13,900	-	15,900	15,900
Interest on reserve amounts	450	920	-	1,370	1,722
Received during the year	-	-	111,218	111,218	282,525
Transferred to unamortized deferred contributions for capital assets	-	-	(36,717)	(36,717)	(232,388)
Transferred to general fund for purchases of capital assets	(7,267)	(17,093)	-	(24,360)	(10,351)
Used for major repairs to capital assets and recognized as revenue in the year	-	(21,905)	(74,501)	(96,406)	(196,850)
Balance, end of year	\$51,357	\$82,051	\$ -	\$133,408	\$162,403

The deferred contributions referred to as "Replacement Reserve" are comprised of two components. The General component arises from mortgage agreements with the Canada Mortgage and Housing Corporation, a federal crown corporation. The agreements are subject to the National Housing Act, under terms of which the Home also receives a mortgage subsidy grant annually. Under the agreement, the organization must allocate an amount annually to the Reserve and use of those Reserve funds is

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Ukrainian Home for the Aged

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

5 / Deferred Government Contributions - Replacement Reserve *(continued)*

restricted for purchases of, and major repairs to, capital assets. The Specific component represents government grants made for specific projects.

Details of the amounts received during the year shown above are as follows:

	2013	2012
Ontario Ministry of Health and Long-term Care (including the Local Health Integration Network)		
One-Time capital reserve grant	\$28,800	\$30,400
For establishment of a Health and Wellness Centre	67,367	-
For specified kitchen equipment replacement	9,890	-
For information technology systems	5,161	-
Supplement for door and elevator security system	-	30,000
Canada-Ontario Social Housing Renovation and Retrofit Program	-	222,125
	\$111,218	\$282,525

6 / Unamortized Deferred Contributions for Capital Assets

	2013	2012
Balance, beginning of year	\$563,708	\$367,475
Transferred for capital asset purchases from Deferred Contributions - Replacement Reserve <i>(note 5)</i>	36,717	232,388
Amortized to revenue during the year	(39,286)	(36,155)
Balance, end of year	\$561,139	\$563,708

7 / Mortgage Loans

	2013	2012
First mortgage, secured by land and buildings at 3058 Winston Churchill Boulevard, Mississauga, Ontario bearing interest at 1.65% per annum, payable \$13,423 monthly blended principal and interest.	\$535,510	\$686,666
First mortgage, secured by land and buildings at 767 Royal York Road, Toronto, Ontario bearing interest at 6.875% per annum, payable \$2,339 monthly blended principal and interest.	171,197	187,225
	706,707	873,891
Less current portion	166,500	165,050
	\$540,207	\$708,841

Both mortgage loans are from the Canada Mortgage and Housing Corporation.

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Ukrainian Home for the Aged

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

8 / Allocated Expenses

Salaries comprise a major portion of certain expenses that are presented by function on the statement of operations. The total of salaries and benefits is attributed to those functions in the following amounts:

	2013			2012
	Toronto operations	Mississauga operations	Total	Total
Medical and nursing	\$2,747,320	\$138,610	\$2,885,930	\$2,777,609
Meals and dietary	447,692	205,316	653,008	682,193
Housekeeping	235,310	63,678	298,988	296,310
Social	207,065	25,408	232,473	264,221
Linen and laundry	86,220	40,674	126,894	130,076
Subtotal - resident care	3,723,607	473,686	4,197,293	4,150,409
Building maintenance	117,027	377,069	494,096	488,183
Administrative, general	237,443	241,660	479,103	434,887
Total salaries	\$4,078,077	\$1,092,415	\$5,170,492	\$5,073,479

9 / Economic Dependence

The nursing care operations of the Organization receive a significant portion of nursing care revenues in the form of subsidies from the Province of Ontario and benefit from lower expenses due to their exemption from municipal property taxation. This is common for similar entities carrying on similar operations in the province. Whether such revenues could be replaced and/or increased with funding from users, donors and other sources if necessary in order to continue the nursing care operations is not readily determinable. Other operations of the Organization are less dependent on such government assistance.

10 / Financial Instruments Risks

The organization's short-term investments are subject to interest rate risk, which refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. Investments and amounts receivable are also subject to credit risk, being the possibility that parties could default on their financial obligations. Liquidity risk that financial obligations may not be met exists, as is does for all entities.

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Ukrainian Home for the Aged

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

11 / Resident Funds Held in Trust

The organization holds cash balances in trust for some residents out of which approved direct personal expenses are paid. These funds are held in a separate bank trust account. They are not reflected on the accompanying balance sheet. The amount held in trust at March 31 was \$13,537 (2012 - \$18,167).

12 / Comparative Figures

Certain comparative figures presented for the preceding year have been reclassified to conform with the presentation adopted for the current year.

13 / Transition to Canadian Accounting Standards for Not-for-Profit Organizations

The adoption of new accounting standards for the preparation of financial statements requires retrospective application of the new standards to previous years presented herein. For this purpose, the transition date to the new standards for organization is April 1, 2011. The situation of the organization is that the individual accounting standards relevant to it are no different than those previously used and therefore no adjustments are required to previous financial statements. The April 1, 2011 (transition date) statement of financial position is as follows:

ASSETS	
Current	
Cash and short-term deposits	\$693,383
Accounts receivable	26,752
Prepaid expenses and deposits	45,693
	<hr/>
	765,828
Cash and short-term deposits - restrictions on use	301,845
Property and equipment	4,740,485
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	\$5,808,158
LIABILITIES	
Current	
Accounts payable and accrued liabilities	\$308,286
Provincial government subsidy advances	102,000
Deferred government contributions - Replacement Reserve	301,845
Unamortized deferred contributions for capital assets	367,475
Current portion of long-term liabilities	143,000
	<hr/>
	1,222,606
Long-term - mortgage loans	889,203
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	2,111,809
NET ASSETS	
General Fund	3,696,349
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	3,696,349
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	\$5,808,158

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Ukrainian Home for the Aged

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

14 / Certification of Employee Union

During the past year, unions were certified to represent certain groups of employees of the organization. Negotiations of their first collective agreements were in process up to the time of issuing these financial statements. It is expected that a final agreement will result in retroactive pay increases and certain other costs. The organization has made its best estimate of such retroactive payments and has recorded the amount as expense of the 2013 fiscal year and included the amount in accounts payable and accrued liabilities. The positions of the organization and of the union are still significantly apart. There will be a difference between the amount accrued and the final agreement, which may be significant, and will be recorded at the time the amount becomes known.