

ORANGE MEMORIES CARE HOME INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2016



INDEPENDENT AUDITOR'S REPORT

To the Board of Orange Memories Care Home Inc.:

We have audited the accompanying financial statements of Orange Memories Care Home Inc., which comprise the statement of financial position as at December 31, 2016, and the statements of operations, changes in net financial assets, and cash flow for the year then ended, 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 public sector accounting standards, 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.

Auditor's 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 organization'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 organization'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 Orange Memories Care Home Inc. as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in black ink that reads 'Stark & Marsh'.

CPA LLP
Chartered Professional Accountants
Licensed Professional Accountants

Swift Current, Saskatchewan
March 14, 2017

Management's Responsibility

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities. The Board fulfils these responsibilities by reviewing the financial information prepared by the administration and discussing relevant matters with external auditors. The Board is also responsible for recommending the appointment of the external auditors.

Stark & Marsh CPA LLP, an independent firm of chartered professional accountants, is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

Board

Management

ORANGE MEMORIES CARE HOME INC.

STATEMENT OF FINANCIAL POSITION
As at December 31, 2016

Statement 1

	2016	2015
		(Note 5)
ASSETS		
Financial Assets		
Cash	\$ 92,443	\$ 79,806
Accounts receivable	8,696	-
GST receivable	-	4,726
Prepaid expenses	3,400	6,628
Total Financial Assets	104,539	91,160
LIABILITIES		
Accounts payable	24,202	28,583
Total Liabilities	24,202	28,583
NET FINANCIAL ASSETS	80,337	62,577
Non-Financial Assets		
Tangible capital assets - Note 2 and Schedule 1	113,314	114,119
Total Non-Financial Assets	113,314	114,119
Accumulated Surplus	\$ 193,651	\$ 176,696

ORANGE MEMORIES CARE HOME INC.

STATEMENT OF OPERATIONS

As at December 31, 2016

Statement 2

	2016 Budget	2016	2015
	(unaudited)		(Note 5)
Revenues			
Rental fees	\$ 950,000	\$ 965,381	\$ 490,367
Grant revenue	260,000	233,400	813,957
Meal revenue	22,000	21,465	10,663
Donation revenue	1,000	625	26,160
Interest revenue	500	840	544
	<u>1,233,500</u>	<u>1,221,711</u>	<u>1,341,691</u>
Expenses			
Advertising	-	1,414	4,262
Amortization	-	18,341	-
Building maintenance	20,000	8,093	7,946
Business fees and licenses	-	-	260
Food and kitchen	126,500	102,077	141,800
Housekeeping supplies	17,300	11,157	13,203
Insurance	6,700	6,628	6,367
Interest and bank charges	400	440	200
Maintenance	500	2,755	2,612
Meeting travel and meals	4,200	327	-
Medical supplies	17,800	12,563	14,354
Miscellaneous expense	1,100	10,797	16,343
Office	11,100	13,699	11,023
Professional fees	17,400	16,754	445
Program expenses	-	1,463	8,562
Staff recruitment and education	3,500	-	-
Utilities	44,200	41,568	45,575
Wages and benefits	892,170	956,680	892,043
	<u>1,162,870</u>	<u>1,204,756</u>	<u>1,164,995</u>
Surplus of Revenues over Expenses	<u>70,630</u>	<u>16,955</u>	<u>176,696</u>
Accumulated Surplus, Beginning of Year		<u>176,696</u>	<u>-</u>
Accumulated Surplus, End of Year		<u>\$ 193,651</u>	<u>\$ 176,696</u>

ORANGE MEMORIES CARE HOME INC.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

As at December 31, 2016

Statement 3

	<u>2016 Budget</u>	<u>2016</u>	<u>2015</u>
	<u>(unaudited)</u>		<u>(Note 5)</u>
Surplus	\$ 70,630	\$ 16,955	\$ 176,696
(Acquisition) of tangible capital assets	-	(17,536)	(114,119)
Amortization of tangible capital assets	-	18,341	-
Surplus of capital expenses over expenses	<u>70,630</u>	<u>17,760</u>	<u>62,577</u>
Increase in Net Financial Assets	<u>70,630</u>	<u>17,760</u>	<u>62,577</u>
Net Financial Assets - Beginning of Year	<u>62,577</u>	<u>62,577</u>	<u>-</u>
Net Financial Assets - End of Year	<u>\$ 133,207</u>	<u>\$ 80,337</u>	<u>\$ 62,577</u>

ORANGE MEMORIES CARE HOME INC.

STATEMENT OF CASH FLOW

As at December 31, 2016

Statement 4

	<u>2016</u>	<u>2015</u>
		(Note 5)
Cash provided by (used for) the following activities		
Operating:		
Surplus	\$ 16,955	\$ 176,696
Amortization	18,341	-
	<u>35,296</u>	<u>176,696</u>
Change in assets/liabilities		
Accounts receivable	(8,694)	-
GST receivable	4,729	(4,729)
Accounts payable	(4,386)	28,586
Prepaid expense	3,228	(6,628)
		<u> </u>
Net cash from (used for) operations	30,173	193,925
Capital:		
Acquisition of capital assets	(17,536)	(114,119)
Net cash from (used for) capital	<u>(17,536)</u>	<u>(114,119)</u>
		<u> </u>
Increase in cash resources	12,637	79,806
Cash and temporary investments - Beginning of year	<u>\$ 79,806</u>	<u>-</u>
Cash and temporary investments - End of year	<u>\$ 92,443</u>	<u>\$ 79,806</u>

ORANGE MEMORIES CARE HOME INC.

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2016

Orange Memories Care Home Inc. (the "organization") was created as a personal care home pursuant under *The Personal Care Homes Act* and was continued under:

Bylaw No. 661/2013 of the Town of Rosetown on December 16, 2013;

1. Significant accounting policies

- a) **Basis of Presentation:** The financial statements are prepared in accordance with Canadian public sector accounting standards.
- b) **Net Financial Assets:** Net Financial Assets at the end of an accounting period are the net amount of financial assets less liabilities outstanding. Financial assets represent items such as cash and those other assets on hand which could provide resources to discharge existing liabilities or finance future operations. These include realizable assets which are convertible to cash and not intended for consumption in the normal course of operations.
- c) **Non-financial Assets:** Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge liabilities unless they are sold.
- d) **Revenue Recognition:** Revenue consists primarily of rent fees from residents, and is recognized when earned. Grant revenue is recognized when earned.
- e) **Measurement Uncertainty:** The preparation of the financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period then ended. Actual results could differ from those estimates.

Significant areas requiring the use of estimates relate to the determination of the useful lives of tangible capital assets for amortization purposes, and the amounts recorded as accrued liabilities.

ORANGE MEMORIES CARE HOME INC.

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2016

1. Significant accounting policies (continued)

- f) **Impairment of Long-lived Assets:** A long-lived asset is tested for impairment whenever events or changes in circumstances indicate that its 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.
- g) **Tangible Capital Assets:** All tangible capital asset acquisitions or betterments made throughout the year are recorded at their acquisition cost. Donated tangible capital assets received are recorded at their fair market value at the date of contribution. The cost of these tangible capital assets less any residual value are amortized over the asset's useful life using the straight-line balance method of amortization. The organization chooses to start to amortize the tangible capital assets in the year following the year of purchase. The organization's tangible capital asset useful lives are estimated as follows:

<u>Asset</u>	<u>Useful Lives</u>
<i>General Assets</i>	
Buildings	30 Yrs
Activities Equipment	5-10 years
Equipment	5-15 years
Hairdressing Equipment	5-10 years
Kitchen Equipment	5-10 years
Medical Equipment	2-10 years
Office Equipment	5-10 years

ORANGE MEMORIES CARE HOME INC.

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2016

2. Tangible Capital assets

	Cost	2016 Accumulated amortization	Net book value
Buildings	\$ 6,524	-	6,524
Activities Equipment	2,031	-	2,031
Equipment	5,815	554	5,261
Hairdressing Equipment	1,800	-	1,800
Kitchen Equipment	21,984	4,251	17,733
Medical Equipment	82,419	12,750	69,669
Office Furniture and Equipment	11,082	786	10,296
	<u>\$ 131,655</u>	<u>18,341</u>	<u>\$ 113,314</u>

3. Financial Instruments

The organization is exposed to various risks through its financial instruments. The following comments help describe the nature of these risks as of December 31, 2016:

Fair value of financial assets and liabilities

The organization has financial instruments consisting of accounts receivable, accounts payable and accrued liabilities, and long-term debt. The carrying value of these financial instruments approximates fair value due to their short terms to maturity.

ORANGE MEMORIES CARE HOME INC.

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2016

4. Pension Plan

The organization is an employer member of the Municipal Employee Pension Plan (MEPP), which is a multi-employer defined benefit pension plan. The Commission of MEPP, representing plan member employers, is responsible for overseeing the management of the pension plan, including investment of assets and administration of benefits. The benefits accrued to the organization's employees from MEPP are calculated using the following: Pensionable Years of Service, Highest Average Salary, and the plan accrual rate.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. Any actuarially determined deficiency is the responsibility of the participating employers and employees, which could affect future contribution rates and/or benefits. Contributions to MEPP are not segregated in separate accounts or restricted to provide benefits to the employees of a particular employer. As a result, individual employers are not able to identify their share of the underlying assets and liabilities, and the net pension assets or liabilities for this plan are not recognized in these financial statements. Rather, the plan is accounted for as a defined contribution plan whereby the contributions are expensed when made.

Details of MEPP	2016	2015
Number of active members	18	12
Member contribution rate (percentage of salary)	8.15%	8.15%
Employer contribution rate (percentage of salary)	8.15%	8.15%
Member contributions for the year	25,274	21,197
Employer contributions for the year	25,274	21,197
Plan Assets	**	2,148,676,000
Plan Liabilities	**	1,831,743,000
Plan Surplus	**	316,933,000

** 2016 MEPP financial information is not yet available.

5. Commencement of Operations

The organization commenced operations on February 5, 2015. The prior year numbers represent 11 months of operations.

ORANGE MEMORIES CARE HOME INC.

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31, 2016

Schedule 1

Asset Cost	Buildings	Activities Equipment	Equipment	Hairdressing Equipment	Kitchen Equipment	Medical Equipment	Office Equipment	Total
Opening asset costs	\$ -	-	5,815	-	21,984	77,212	9,108	\$ 114,119
Additions during the year	6,524	2,031	-	1,800	-	5,207	1,974	17,536
Disposals and write-downs during the year	-	-	-	-	-	-	-	-
Closing Asset Costs	6,524	2,031	5,815	1,800	21,984	82,419	11,082	131,655
Accumulated Amortization Cost								
Opening Accumulated Amortization Costs	-	-	-	-	-	-	-	-
Add: Amortization taken	-	-	554	-	4,251	12,750	786	18,341
Less: Accumulated amortization on disposals	-	-	-	-	-	-	-	-
Closing Accumulated Amortization Costs	-	-	554	-	4,251	12,750	786	18,341
Net Book Value	\$ 6,524	\$ 2,031	5,261	1,800	17,733	69,669	10,296	\$ 113,314