

ORANGE MEMORIES CARE HOME INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018



INDEPENDENT AUDITOR'S REPORT

To the Board of Orange Memories Care Home Inc.:

Opinion

We have audited the financial statements of Orange Memories Care Home Inc., which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net financial assets (debt), and cash flow for 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, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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 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.

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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibility 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:

- 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.


CPA LLP
Chartered Professional Accountants

Swift Current, Saskatchewan
March 11, 2019

Management's Responsibility


The Board's management is responsible for the preparation and presentation of the accompanying financial statements in accordance with Canadian public sector accounting standards (PSAS). The preparation of the statements necessarily includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgments and estimates by management 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, 2018

Statement 1

	2018	2017
ASSETS		
Financial Assets		
Accounts receivable	\$ 6,310	\$ 1,175
Total Financial Assets	<u>6,310</u>	<u>1,175</u>
LIABILITIES		
Bank indebtedness - Note 6	12,510	5,577
Accounts payable	44,635	23,603
Total Liabilities	<u>57,145</u>	<u>29,180</u>
NET FINANCIAL ASSETS (DEBT)	<u>(50,835)</u>	<u>(28,005)</u>
Non-Financial Assets		
Tangible capital assets - Note 2 and Schedule 1	71,484	92,399
Prepays	1,391	1,391
Total Non-Financial Assets	<u>72,875</u>	<u>93,790</u>
Accumulated Surplus	<u>\$ 22,040</u>	<u>\$ 65,785</u>

ORANGE MEMORIES CARE HOME INC.

STATEMENT OF OPERATIONS
As at December 31, 2018

Statement 2

	2018 Budget (unaudited)	2018	2017
Revenues			
Rental fees	\$ 992,083	\$ 933,021	\$ 933,201
Grant revenue - Note 5	-	90,000	105,000
MEPP refund	-	-	57,304
Meal revenue	-	13,950	8,507
Donation revenue	-	565	17,161
Other income	26,500	3,623	11,272
Interest revenue	-	544	1,138
	<u>1,018,583</u>	<u>1,041,703</u>	<u>1,133,583</u>
Expenses			
Advertising	1,500	2,172	1,147
Amortization	-	20,915	20,915
Building maintenance	12,000	41,942	29,213
Equipment maintenance	-	-	195
Food and kitchen	59,750	64,533	65,404
Grant repayment	-	-	107,304
Housekeeping supplies	4,000	3,844	4,020
Insurance	7,000	9,464	8,350
Interest and bank charges	600	4,350	1,250
Integrated care	53,476	50,032	13,731
Medical supplies	12,000	7,929	16,178
Miscellaneous expense	500	491	4,923
Office	12,600	11,667	12,122
Professional fees	6,000	9,012	10,406
Program expenses	1,500	1,202	1,075
Training, travel and meals	6,000	5,849	8,104
Utilities	53,000	61,975	47,165
Wages and benefits	770,360	790,071	909,947
	<u>1,000,286</u>	<u>1,085,448</u>	<u>1,261,449</u>
Surplus (Deficit) of Revenues over Expenses	<u>18,297</u>	<u>(43,745)</u>	<u>(127,866)</u>
Accumulated Surplus, Beginning of Year		<u>65,785</u>	<u>193,651</u>
Accumulated Surplus, End of Year		<u>\$ 22,040</u>	<u>\$ 65,785</u>

ORANGE MEMORIES CARE HOME INC.

**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)
As at December 31, 2018**

Statement 3

	2018 Budget (unaudited)	2018	2017
Surplus (deficit)	\$ 18,297	\$ (43,745)	\$ (127,866)
(Acquisition) of tangible capital assets	-	-	-
Amortization of tangible capital assets	-	20,915	20,915
Surplus of capital expenses over expenditures	<u>18,297</u>	<u>(22,830)</u>	<u>(106,951)</u>
Increase (Decrease) in Net Financial Assets (Debt)	<u>18,297</u>	<u>(22,830)</u>	<u>(106,951)</u>
Use of prepaids		-	2,009
Surplus (Deficit) of expenses of other non-financial over expenditures	-	-	2,009
Net Financial Assets (Debt) - Beginning of Year	<u>(28,005)</u>	<u>(28,005)</u>	<u>76,937</u>
Net Financial Assets (Debt) - End of Year	<u>\$ (9,708)</u>	<u>\$ (50,835)</u>	<u>\$ (28,005)</u>

ORANGE MEMORIES CARE HOME INC.

**STATEMENT OF CASH FLOW
As at December 31, 2018**

Statement 4

	2018	2017
Cash provided by (used for) the following activities		
Operating:		
Surplus	\$ (43,745)	\$ (127,866)
Amortization	20,915	20,915
	<u>(22,830)</u>	<u>(106,951)</u>
Change in assets/liabilities		
Accounts receivable	(5,135)	7,521
GST receivable	-	-
Accounts payable	21,032	(599)
Prepaid expense	-	2,009
	<u>(6,933)</u>	<u>(98,020)</u>
Net cash from (used for) operations	(6,933)	(98,020)
Capital:		
Acquisition of capital assets	-	-
Net cash from (used for) capital	<u>-</u>	<u>-</u>
	<u>(6,933)</u>	<u>(98,020)</u>
Increase (Decrease) in cash resources	(6,933)	(98,020)
Cash - Beginning of year	\$ (5,577)	92,443
Cash (Bank indebtedness) - End of year	\$ (12,510)	\$ (5,577)

ORANGE MEMORIES CARE HOME INC.

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2018

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, 2018

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

2. Tangible Capital assets

	2018		2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Buildings	\$ 6,524	435	6,089	\$ 6,307
Activities Equipment	2,031	812	1,219	1,625
Equipment	5,815	1,661	4,154	4,707
Hairdressing Equipment	1,800	360	1,440	1,620
Kitchen Equipment	21,984	12,752	9,232	13,482
Medical Equipment	82,419	41,203	41,216	55,443
Office Furniture and Equipment	11,082	2,948	8,134	9,215
	<u>\$ 131,655</u>	<u>60,171</u>	<u>71,484</u>	<u>\$ 92,399</u>

ORANGE MEMORIES CARE HOME INC.

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2018

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, 2018:

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.

4. Contractual Obligations

Orange Memories Care Home Inc. has entered into a management agreement with Integrated Life Care Inc. Starting on January 1, 2018, Integrated Life Care Inc. will be responsible for the day to day operations of Orange Memories Care Home Inc. The agreement will expire in November 2020 at which point the agreement will automatically renew for another three year term unless written notification is given that the agreement will not be continued. Integrated Life Care fees will be a minimum of \$3,500 per month or 5% of gross revenues collected.

5. Related Parties

The organization is controlled by the Town of Rosetown. Transactions with the Town of Rosetown are in the normal course of operations and are settled on normal trade terms.

6. Bank Indebtedness

The Town of Rosetown provides grants to Orange Memories Care Home Inc. as needed to cover operating requirements. These grants are recorded as grant revenue on the statement of operations.

ORANGE MEMORIES CARE HOME INC.

SCHEDULE OF TANGIBLE CAPITAL ASSETS
As at December 31, 2018

Schedule 1

	Buildings	Activities Equipment	Equipment	Hairdressing Equipment	Kitchen Equipment	Medical Equipment	Office Equipment	Total	2017
Asset Cost									
Opening asset costs	\$ 6,524	\$ 2,031	5,815	1,800	21,984	82,419	11,082	\$ 131,655	131,655
Additions during the year									
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	131,655
Accumulated Amortization Cost									
Opening Accumulated Amortization Costs	217	406	1,108	180	8,502	26,976	1,867	39,256	18,341
Add: Amortization taken	217	406	554	180	4,251	14,226	1,081	20,915	20,915
Less: Accumulated amortization on disposals									
Closing Accumulated Amortization Costs	434	812	1,662	360	12,753	41,202	2,948	60,171	39,256
Net Book Value	\$ 6,090	\$ 1,219	4,153	1,440	9,231	41,217	8,134	\$ 71,484	\$ 92,399