

**JOYCE SCOTT NON-PROFIT HOMES INC.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2011**

**Melissa L. Coulson, Chartered Accountant**

*A Professional Corporation*

# JOYCE SCOTT NON-PROFIT HOMES INC.

MARCH 31, 2011

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# Melissa L. Coulson, Chartered Accountant

A Professional Corporation

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## Independent Auditor's Report

**To the Board of Directors of:  
Joyce Scott Non-Profit Homes Inc.**

I have audited the accompanying financial statements of Joyce Scott Non-Profit Homes Inc. which comprise the balance sheet as of March 31, 2011, and the statement of operations and change in fund balances and cash flow statement 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 generally accepted accounting principles, 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 judgement, 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.

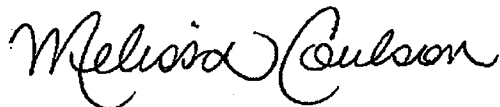
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Basis for Qualified Opinion***

In common with many non-profit organizations, Joyce Scott Non-Profit Homes Inc. derives revenues from events and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenue was limited to the amounts recorded in the records of the Organization and I was not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenditures, assets and net fund balances.

***Qualified Opinion***

In my opinion, except for the possible effects of the matter described in the Basis For Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Joyce Scott Non-Profit Homes Inc. as of March 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Melissa L. Coulson". The signature is written in a cursive, flowing style.

**Melissa L. Coulson C.A. Professional Corporation**  
Authorized to practice public accounting by  
The Institute of Chartered Accountants of Ontario

June 8, 2011  
Milton, Ontario

**Joyce Scott Non-Profit Homes Inc.**

**BALANCE SHEET**

As at March 31

|  | 2011           | 2010           |
|--|----------------|----------------|
|  | \$             | \$             |
| <b>ASSETS</b>                            |                |                |
| <b>Current</b>                           |                |                |
| Cash                                     | 103,640        | 47,268         |
| Restricted cash (note 2)                 | 22,254         | 25,113         |
| Marketable securities (note 3)           | 48,678         | 45,876         |
| Accounts receivable                      | 4,077          | 1,271          |
| Prepaid expenses                         | 3,184          | 5,723          |
| <b>Total current assets</b>              | <b>181,833</b> | <b>125,251</b> |
| Capital assets (note 4)                  | 605,203        | 602,054        |
|  | <b>787,036</b> | <b>727,305</b> |
| <b>LIABILITIES &amp; FUND BALANCES</b>   |                |                |
| <b>Current</b>                           |                |                |
| Accounts payable and accrued liabilities | 135,319        | 54,399         |
| Clawback payable (note 6)                | 47,781         | 47,781         |
| Deferred revenue                         | -              | 1,779          |
| Current portion of mortgage loan         | 17,546         | 17,015         |
| <b>Total current liabilities</b>         | <b>200,646</b> | <b>120,974</b> |
| Mortgage loan (note 5)                   | 451,216        | 468,775        |
| <b>Total liabilities</b>                 | <b>651,862</b> | <b>589,749</b> |
| <b>Fund balances</b>                     |                |                |
| Internally restricted                    | 1,483          | (3,994)        |
| Unrestricted                             | 133,691        | 141,550        |
| <b>Total fund balances</b>               | <b>135,174</b> | <b>137,556</b> |
|  | <b>787,036</b> | <b>727,305</b> |

*The accompanying notes are an integral part of these financial statements*

**Approved on Behalf of the Board**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

Joyce Scott Non-Profit Homes Inc.

**STATEMENT OF OPERATIONS  
AND CHANGES IN FUND BALANCES**

| Year ended March 31                                 | Attendant<br>Services | Supportive<br>Housing | Corporate<br>Operations | Capital<br>Fund | 2011<br>Total  | 2010<br>Total  |
|---|-----------------------|-----------------------|-------------------------|-----------------|----------------|----------------|
| <b>REVENUE</b>                                      |                       |                       |                         |                 |                |                |
| Government funding (note 6)                         | 787,070               | 59,520                | -                       | 3,877           | 850,467        | 813,906        |
| Rental income                                       | -                     | 10,106                | -                       | -               | 10,106         | 9,506          |
| Fundraising   | -                     | -                     | 6,865                   | -               | 6,865          | 4,557          |
| Donations   | -                     | -                     | 2,970                   | -               | 2,970          | 1,795          |
| Interest income                                     | -                     | -                     | -                       | 2,689           | 2,689          | 140            |
| Memberships   | -                     | -                     | -                       | -               | -              | 170            |
|   | <b>787,070</b>        | <b>69,626</b>         | <b>9,835</b>            | <b>6,566</b>    | <b>873,097</b> | <b>830,074</b> |
| <b>EXPENSES</b>                                     |                       |                       |                         |                 |                |                |
| Salaries and benefits                               | 730,728               | 16,180                | -                       | -               | 746,908        | 693,913        |
| Travel  | 18,257                | 699                   | -                       | -               | 18,956         | 17,442         |
| Telephone   | 15,277                | 872                   | 1,481                   | -               | 17,630         | 5,082          |
| Mortgage interest                                   | -                     | 14,625                | -                       | -               | 14,625         | 27,630         |
| Amortization  | -                     | 12,905                | -                       | 1,089           | 13,994         | 14,621         |
| Repairs and maintenance                             | 461                   | 13,269                | -                       | -               | 13,730         | 21,006         |
| Professional fees                                   | 5,052                 | 570                   | 4,667                   | -               | 10,289         | 7,184          |
| Office supplies                                     | 3,684                 | 2,492                 | 2,289                   | -               | 8,465          | 8,944          |
| Utilities   | 1,632                 | 6,557                 | -                       | -               | 8,189          | 7,697          |
| Insurance   | 7,997                 | -                     | -                       | -               | 7,997          | 6,000          |
| Training  | 3,510                 | 1,540                 | 423                     | -               | 5,473          | 6,140          |
| Advertising and promotion                           | 3,089                 | 1,629                 | 67                      | -               | 4,785          | 5,593          |
| Memberships   | 1,963                 | 300                   | -                       | -               | 2,263          | 1,410          |
| Bank charges  | 2,175                 | -                     | -                       | -               | 2,175          | 2,334          |
|   | <b>793,825</b>        | <b>71,638</b>         | <b>8,927</b>            | <b>1,089</b>    | <b>875,479</b> | <b>824,996</b> |
| <b>Excess (deficiency) of revenue over expenses</b> | <b>(6,755)</b>        | <b>(2,012)</b>        | <b>908</b>              | <b>5,477</b>    | <b>(2,382)</b> | <b>5,078</b>   |
| Fund balance, beginning of year                     | -                     | 27,606                | 113,944                 | (3,994)         | 137,556        | 132,478        |
| Interfund transfers                                 | -                     | -                     | -                       | -               | -              | -              |
| <b>Fund balance, end of year</b>                    | <b>(6,755)</b>        | <b>25,594</b>         | <b>114,852</b>          | <b>1,483</b>    | <b>135,174</b> | <b>137,556</b> |

The accompanying notes are an integral part of these financial statements

Joyce Scott Non-Profit Homes Inc.

STATEMENT OF CASH FLOWS

Year ended March 31

|  | 2011            | 2010            |
|--|-----------------|-----------------|
|  | \$              | \$              |
| <b>OPERATING ACTIVITIES</b>                      |                 |                 |
| Excess (deficiency) of revenue over expenses     | (2,382)         | 5,078           |
| <b>Non-cash items:</b>                           |                 |                 |
| Amortization                                     | 13,994          | 14,621          |
| <b>Change in non-cash working capital items:</b> |                 |                 |
| Accounts receivable                              | (2,806)         | (404)           |
| Accounts payable and accrued liabilities         | 80,920          | 5,137           |
| Prepaid expenses                                 | 2,539           | -               |
| Clawback payable                                 | -               | 23,974          |
| Deferred revenue                                 | (1,779)         | (10,221)        |
| <b>Cash provided by operating activities</b>     | <b>90,486</b>   | <b>38,185</b>   |
| <b>INVESTING ACTIVITIES</b>                      |                 |                 |
| Purchase of capital assets                       | (17,143)        | (14,350)        |
| <b>Cash used in investing activities</b>         | <b>(17,143)</b> | <b>(14,350)</b> |
| <b>FINANCING ACTIVITIES</b>                      |                 |                 |
| Repayments of mortgage loan                      | (17,028)        | (12,197)        |
| Increase in short term investments               | (2,802)         | -               |
| <b>Cash used in financing activities</b>         | <b>(19,830)</b> | <b>(12,197)</b> |
| <b>Net increase in cash</b>                      | <b>53,513</b>   | <b>11,638</b>   |
| Cash, beginning of year                          | 72,381          | 60,743          |
| <b>Cash, end of year</b>                         | <b>125,894</b>  | <b>72,381</b>   |
| <b>Cash is comprised of:</b>                     |                 |                 |
| Cash   | 103,640         | 47,268          |
| Restricted cash                                  | 22,254          | 25,113          |
|  | <b>125,894</b>  | <b>72,381</b>   |

*The accompanying notes are an integral part of these financial statements*

**Joyce Scott Non-Profit Homes Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

March 31, 2011

**1. NATURE OF OPERATIONS**

Joyce Scott Non-Profit Homes Inc. ("the organization") was incorporated under the Business Corporations Act of Ontario without share capital by letters patent on March 4, 1992. The corporation operates a residential home for young people with physical disabilities. The name "Deborah's Home" and "Independent Living Halton" have been registered for this location.

The organization is incorporated as a not-for-profit organization and is exempt from income tax under section 149 of the Income Tax Act.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

**Revenue recognition**

Revenue relating to government funding and rental income is recognized in the period which the related services are rendered. Revenue from fundraising and donations is recognized when received.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts disclosed in the financial statements. Actual results could differ from those estimates. In particular, recognizing government funding during the period of service involves estimating clawbacks from the government that would take place in a subsequent period.

**Capital assets**

Capital assets are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the capital assets over their useful lives. The annual rates are as follows:

|                        |      |
|------------------------|------|
| Buildings              | 2.5% |
| Furniture and fixtures | 20%  |
| Computer equipment     | 20%  |

**Joyce Scott Non-Profit Homes Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

March 31, 2011

**Financial instruments**

The organization applies the provisions of Section 3855, *Financial Instruments – Recognition and Measurement*, and Section 3861, *Financial Instruments – Disclosures and Presentation*, of the Canadian Institute of Chartered Accountants (CICA) Handbook, as they apply to not-for-profit organizations.

The standards require that all financial assets and liabilities be measured at fair value with the exception of investments held to maturity, loans and receivables and other liabilities that are measured at amortized cost using the effective interest rate method. The organization has designated cash, restricted cash, marketable securities, accounts receivable, prepaid expenses, accounts payable and accrued liabilities as held for trading and they are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.

**Restricted cash**

Restricted cash held by the organization is for capital reserve purposes. The organization is required to contribute to this fund each year as dictated by the Ministry of Health and Long-Term Care. Contributions made to this fund in 2011 were \$2,100 (2010 - \$1,905).

**3. MARKETABLE SECURITIES**

Short term investments represent G.I.C.'s with interest rates ranging from 2.10% - 3.70% maturing in 2011. All investments are held with a large Canadian financial institution. Due to their short term nature, the fair value of marketable securities approximates their book value.

**4. CAPITAL ASSETS**

|                        | <b>Cost</b>    | <b>Accumulated</b>  | <b>2011</b>    | <b>2010</b>    |
|------------------------|----------------|---------------------|----------------|----------------|
|                        | <b>\$</b>      | <b>Amortization</b> | <b>\$</b>      | <b>\$</b>      |
|                        |                | <b>\$</b>           |                |                |
| Land                   | 167,729        | –                   | 167,729        | 167,729        |
| Buildings              | 566,412        | 142,296             | 424,116        | 417,628        |
| Furniture and fixtures | 75,533         | 65,168              | 10,365         | 12,956         |
| Computer equipment     | 34,375         | 31,382              | 2,993          | 3,741          |
|                        | <b>844,049</b> | <b>238,845</b>      | <b>605,203</b> | <b>602,054</b> |

**Joyce Scott Non-Profit Homes Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

March 31, 2011

**5. MORTGAGE LOAN**

|                       | 2011           | 2010           |
|-----------------------|----------------|----------------|
|                       | \$             | \$             |
| Mortgage payable      | 468,762        | 485,790        |
| Less, current portion | 17,546         | 17,015         |
|                       | <u>451,216</u> | <u>468,775</u> |

The mortgage is due in blended monthly principal and interest payments of \$2,638. The rate of interest is 3.079% and the maturity date is December 1, 2014. The mortgage is secured by the property located at 296 Ontario Street North in Milton, Ontario.

Principal repayments required on the mortgage are as follows:

|      | \$             |
|------|----------------|
| 2012 | 17,546         |
| 2013 | 18,094         |
| 2014 | 18,659         |
| 2015 | 414,463        |
|      | <u>468,762</u> |

The current interest rate for similar loans is equal to that obtained by the organization. The fair value of the loan does not significantly differ from its carrying amount.

**6. GOVERNMENT FUNDING**

The organization is required to repay surplus funds received from the Ministry of Health and Long-Term Care. It is estimated that the amount of repayment required for the 2011 fiscal year is \$0. (2010 - \$23,974). This amount is reflected in the statement of revenues and expenses as a reduction of current year funding.

**7. FUTURE ACCOUNTING CHANGES**

In December 2009, the Canadian Accounting Standards Board ("AcSB") confirmed that Canadian public entities will have to adopt International Financial Reporting Standards ("IFRS") effective

**Joyce Scott Non-Profit Homes Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

March 31, 2011

for fiscal years beginning on or after January 1, 2011. Subsequent to this decision, the AcSB announced a review of standards impacting not-for-profit organizations. The Company has not yet assessed the impact of these new standards on its financial statements.

**8. CAPITAL MANAGEMENT**

Joyce Scott Non-Profits Homes Inc.'s main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can ensure the continuation of providing valuable services to the community.

The capital structure of the organization consists of unrestricted net assets, internally restricted assets and investment in capital assets. The organization manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets. The organization's primary use of capital is to finance non-cash working capital requirements and capital expenditures which are currently funded from its internally generated cash flows.

The organization is subject to externally imposed capital requirements by the Ministry of Long Term Health and Long Term Care and is required to return unspent revenue received in a given year based on a cash flow formula. A description of the analysis of this requirement in 2011 is provided in note 6.

**9. FINANCIAL INSTRUMENTS**

**Fair Values**

The fair values of cash, accounts receivable and accounts payable and accrued liabilities, approximately their carrying value due to their short-term nature. The fair values of short-term investments are described in note 3 and the fair value of the mortgage loan is described in note 5.

**Interest Rate Risk**

The organization is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. In particular, the amount of interest income earned on its short term investments is impacted more by the investment decisions made and the demands to have available cash on hand, than by movements in the interest rates over a given period.