

FINANCIAL STATEMENTS
For
THE OTTAWA ROTARY HOME FOUNDATION
For years ended
MARCH 31, 2013 AND 2012

THE OTTAWA ROTARY HOME FOUNDATION
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2013 AND 2012

	<u>Page</u>
Independent Auditor's Report	1 & 2
Statement of Financial Position	3
Statement of Operations and Changes in Net Assets	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 9

INDEPENDENT AUDITOR'S REPORT

To the members of

THE OTTAWA ROTARY HOME FOUNDATION

We have audited the accompanying financial statements of The Ottawa Rotary Home Foundation which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 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.

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 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.

.../2

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

Basis for Qualified Opinion

In common with similar organizations, the Foundation derives revenues from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of expenses over revenues, current assets and net assets.

Qualified Opinion

In our 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 The Ottawa Rotary Home Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Welch LLP



Chartered Accountants
Licensed Public Accountants

Ottawa, Ontario
June 15, 2013.

THE OTTAWA ROTARY HOME FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2013, MARCH 31, 2012 AND APRIL 1, 2011

	March 31, 2013			March 31, 2012	April 1, 2011
	Unrestricted Fund	Externally restricted - New Home Fund	Total	Total	Total
<u>ASSETS</u>					
CURRENT ASSETS					
Cash	\$ 113,742	\$ 30,717	\$ 144,459	\$ 85,279	\$ 168,193
Short-term investments (note 7)	101,502	-	101,502	100,817	50,462
Government remittances receivable	3,226	-	3,226	7,644	1,849
Prepaid expenses	898	-	898	1,236	400
Due from (to) respective fund	765	(765)	-	-	-
	\$ 220,133	\$ 29,952	\$ 250,085	\$ 194,976	\$ 220,904
 <u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 7,154	\$ -	\$ 7,154	\$ 8,183	\$ 8,840
Due to The Ottawa Rotary Home (note 8)	63,182	-	63,182	8,399	15,441
Deferred revenue (note 9)	11,764	-	11,764	3,211	5,382
	82,100	-	82,100	19,793	29,663
 NET ASSETS					
Externally restricted - New Home	-	29,952	29,952	22,984	10,222
Unrestricted	138,033	-	138,033	152,199	181,019
	138,033	29,952	167,985	175,183	191,241
	\$ 220,133	\$ 29,952	\$ 250,085	\$ 194,976	\$ 220,904

Approved by the Board:


 Director

 Director

(See accompanying notes)

Welch LLP

An Independent Member of BKR International

THE OTTAWA ROTARY HOME FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEARS ENDED MARCH 31, 2013 AND 2012

	2013			2012
	Unrestricted Fund	Externally restricted - New Home Fund	Total	Total
Revenues				
Capital campaign	\$ -	\$ 36,400	\$ 36,400	\$ 107,880
Donations	106,284	-	106,284	79,019
Events revenue (note 5)	69,272	-	69,272	72,535
Nevada revenue (note 6)	11,475	-	11,475	16,948
Investment revenue	686	-	686	927
	<u>187,717</u>	<u>36,400</u>	<u>224,117</u>	<u>277,309</u>
Expenses				
Administrative expense	19,389	-	19,389	20,512
Fundraising activities	57,257	-	57,257	42,800
Events expenses (note 5)	17,516	-	17,516	23,731
Insurance	2,009	-	2,009	1,961
Nevada expense (note 6)	7,299	-	7,299	8,023
Professional fees	6,444	-	6,444	6,236
Office expense	16,398	-	16,398	13,509
Interest and bank charges	2,805	-	2,805	2,055
	<u>129,117</u>	<u>-</u>	<u>129,117</u>	<u>118,827</u>
Operating income available for distribution	58,600	36,400	95,000	158,482
Contributions to The Ottawa Rotary Home	<u>(72,766)</u>	<u>(29,432)</u>	<u>(102,198)</u>	<u>(174,540)</u>
Excess of revenues over expenses (expenses over revenues)	(14,166)	6,968	(7,198)	(16,058)
Net assets, beginning of year	<u>152,199</u>	<u>22,984</u>	<u>175,183</u>	<u>191,241</u>
Net assets, end of year	<u>\$ 138,033</u>	<u>\$ 29,952</u>	<u>\$ 167,985</u>	<u>\$ 175,183</u>

(See accompanying notes)

THE OTTAWA ROTARY HOME FOUNDATION
STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of expenses over revenues	\$ (7,198)	\$ (16,058)
Changes in level of:		
Government remittances receivable	4,418	(5,795)
Prepaid expenses	338	(836)
Accounts payable and accrued liabilities	(1,029)	(657)
Deferred revenue	8,553	(2,171)
Due to The Ottawa Rotary Home	<u>54,783</u>	<u>(7,042)</u>
	<u>59,865</u>	<u>(32,559)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(101,089)	(250,817)
Proceeds from disposal of investments	<u>100,404</u>	<u>200,462</u>
	<u>(685)</u>	<u>(50,355)</u>
 INCREASE (DECREASE) IN CASH	59,180	(82,914)
 CASH, BEGINNING OF YEAR	<u>85,279</u>	<u>168,193</u>
 CASH, END OF YEAR	<u>\$ 144,459</u>	<u>\$ 85,279</u>

(See accompanying notes)

THE OTTAWA ROTARY HOME FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2013 AND 2012

1. NATURE OF OPERATIONS

The Foundation was incorporated by letters of patent under the provision of Part II of the Canada Corporations Act on March 28, 1995 and is qualified for tax-exempt status as a registered charity under paragraph 149(1)(f) of the Income Tax Act effective from April 18, 1995. The primary purpose of the Foundation is to undertake fundraising activities to provide financial support and assistance to The Ottawa Rotary Home and other registered charitable organizations in Canada that provide services and programs for physically disabled children and adults or promote the welfare of such children and adults in any way.

The Ottawa Rotary Home is a separately registered charity with the objective to operate Respite Care and adult residential programs. The results of the The Ottawa Rotary Home are not consolidated with the results of The Ottawa Rotary Home Foundation.

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective April 1, 2012, the Foundation adopted the requirements for the Canadian Institute of Chartered Accountants (CICA) Handbook - *Accounting, Canadian accounting standards for not-for-profit organizations (ASNFPO)*. These are the Foundation's first financial statements prepared in accordance with the accounting standards for not-for-profit organizations and these standards have been applied retrospectively. The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended March 31, 2012 and in the preparation of an opening statement of financial position as at April 1, 2011 (the Foundation's date of transition).

The Foundation had previously issued financial statements for the year ended March 31, 2012 using a different accounting framework known as the Canadian generally accepted accounting principles. The adoption of ASNFPO had no impact on the previously reported assets, liabilities, net assets, revenues and expenses of the organization and accordingly no adjustments have been recorded to the comparative financial statements. Certain disclosures have been added to these financial statements to comply with the new ASNFPO disclosure requirements.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Unrestricted contributions, events revenue, Nevada revenue, investment and other revenue are recognized as revenue of the unrestricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the construction of the Leitrim campus facility are recognized as revenue of the Externally restricted - New home fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

Assets, liabilities, revenues and expenditures relating to service delivery and administration are reported in the unrestricted fund.

Assets, liabilities, revenues and expenditures relating to the construction of the Leitrim campus facility are reported in the externally restricted - New home fund.

THE OTTAWA ROTARY HOME FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

3. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Investments

The Foundation has designated its investments as held for trading and has recorded them at their fair values.

Measurement of financial instruments

Cash and investments are initially recognized and subsequently measured at fair value.

All other financial instruments are subsequently measured at amortized cost.

Donated materials and services

Donated materials and services are not recognized in the financial statements unless the fair value is determinable.

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 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 reporting period. Actual results could differ from these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the period they become known.

The estimated amount of accrued liabilities is the most significant item where estimates are used.

Allocation of general support expenses

The Foundation allocates personnel costs to fundraising and administrative expenses based on the approximate amount of hours spent on each function.

4. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations at March 31, 2013, March 31, 2012 and April 1, 2011.

The Foundation does not use derivative financial instruments to manage its risks.

Credit risk

The Foundation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Foundation's maximum exposure to credit risk is the carrying value of its cash and investments. The Foundation's cash and short-term investments are deposited and invested with a Canadian chartered bank and as a result management believes the risk of loss on those items to be remote.

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they become due. The Foundation meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flow from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

THE OTTAWA ROTARY HOME FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

4. FINANCIAL INSTRUMENTS - Cont'd.

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 is comprised of currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

The Foundation's financial instruments are all denominated in Canadian dollars and the Foundation transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) Interest rate risk

Interest rate risk 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.

The Foundation manages its interest rate risk exposure through its investment in guaranteed investment certificates which provides fixed rates of interest. As such, the Foundation's exposure to interest rate risk is minimal.

iii) Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Foundation is not exposed to other price risk.

Changes in risk

There have been no changes in the Foundation's risk exposures from the prior year.

5. EVENTS REVENUE - NET

The Foundation organizes events for which revenue and expenses are:

	<u>2013</u>	<u>2012</u>
Revenue	\$ 69,272	\$ 72,535
Expenses	<u>17,516</u>	<u>23,731</u>
	<u>\$ 51,756</u>	<u>\$ 48,804</u>

THE OTTAWA ROTARY HOME FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEARS ENDED MARCH 31, 2013 AND 2012

6. NEVADA REVENUE - NET

The Foundation has a licence to sell lottery tickets for which revenue and expenses are:

	<u>2013</u>	<u>2012</u>
Revenue	\$ 11,475	\$ 16,948
Expenses	<u>7,299</u>	<u>8,023</u>
	<u>\$ 4,176</u>	<u>\$ 8,925</u>

7. SHORT-TERM INVESTMENTS

	<u>2013</u>			<u>2012</u>		
	<u>Cost</u>	<u>Accrued interest</u>	<u>Market value</u>	<u>Cost</u>	<u>Accrued interest</u>	<u>Market value</u>
TD Canada Trust - GIC 0.7%, due 8/28/13 (2012 - 0.65%, 8/28/12)	<u>\$ 101,089</u>	<u>\$ 413</u>	<u>\$ 101,502</u>	<u>\$ 100,437</u>	<u>\$ 380</u>	<u>\$ 100,817</u>

Investments are managed by the Treasurer in consultation with the Board of Directors. The Foundation limits its investment to guaranteed investment certificates to ensure the capital is preserved.

8. RELATED PARTY TRANSACTIONS

The amount owing to the Ottawa Rotary Home, an affiliated organization is non-interest bearing and payable on demand.

During the year, the Foundation donated \$102,198 (2012 - \$174,540) to the Ottawa Rotary Home.

These transactions are recorded at their exchange amounts which is the amount agreed upon by both parties.

9. DEFERRED REVENUE

Deferred revenue represents donations for the June 2013 Golf-A-Thon. The amount will be recognized once the event takes place.

10. EXTERNALLY RESTRICTED - NEW HOME FUND

This fund is externally restricted for the purpose of assisting The Ottawa Rotary Home in meeting its financial obligations relating to the construction and completion of the New Home at 823 Rotary Way, Ottawa.

11. GENERAL SUPPORT EXPENSES

Administrative and fundraising activities expense are entirely made up of personnel costs.