

Physically Handicapped Adults'
Rehabilitation Association -
Nipissing - Parry Sound (PHARA)
Financial Statements
For the year ended March 31, 2021

Physically Handicapped Adults' Rehabilitation Association
- Nipissing - Parry Sound (PHARA)
Financial Statements
For the year ended March 31, 2021

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Independent Auditor's Report

To the Board of Directors of Physically Handicapped Adults' Rehabilitation Association - Nipissing - Parry Sound (PHARA)

Opinion

We have audited the financial statements of PHARA (the Organization), which comprise the statement of financial position as at March 31, 2021, the statements of operations and changes in net assets and cash flows for the 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 March 31, 2021, and its results of operations and cash flows for the year then ended in accordance with the financial reporting provisions established by the funding agencies as described in Note 1.

Basis for Opinion

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.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements are prepared to assist Physically Handicapped Adults' Rehabilitation Association - Nipissing - Parry Sound (PHARA) to comply with the reporting requirements of the funding agencies as described in Note 1. As a result, the financial statements may not be suitable for another purpose.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions established by the funding agencies as described in Note 1, 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.

Auditor's Responsibilities 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.

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
June 24, 2021

**Physically Handicapped Adults' Rehabilitation Association
- Nipissing - Parry Sound (PHARA)
Statement of Financial Position**


March 31	2021	2020
Assets		
Current		
Cash and cash equivalents	\$ 1,702,741	\$ 1,439,012
Short-term investments (Note 2)	673,403	565,260
Accounts receivable (Note 3)	176,033	85,539
Prepaid expenses	15,964	33,053
	2,568,141	2,122,864
Restricted investments - Capital Reserves (Note 8)	824,824	592,158
Due from related entity (Note 4)	98,630	98,630
Capital assets (Note 5)	2,198,608	2,695,140
	\$ 5,690,203	\$ 5,508,792


Liabilities and Net Assets

Current		
Accounts payable and accrued liabilities (Note 6)	\$ 1,429,361	\$ 1,370,348
Deferred revenue (Note 7)	215,417	-
Current portion of long-term debt (Note 9)	498,510	280,000
	2,143,288	1,650,348
Long-term debt (Note 9)	1,700,123	2,415,165
	3,843,411	4,065,513
Net Assets		
Capital Reserve Fund (Note 8)	824,824	592,158
Unrestricted	1,021,968	851,121
	1,846,792	1,443,279
	\$ 5,690,203	\$ 5,508,792

Commitments / Contingencies (Note 11) and Uncertainty Due to COVID-19 (Note 14)

On behalf of the Board:


 _____ Director


 _____ Director

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

Physically Handicapped Adults' Rehabilitation Association
- Nipissing - Parry Sound (PHARA)
Statement of Operations

For the year ended March 31	2021	2020
Revenues		
Province of Ontario - Service contract revenue (Note 11)	\$ 3,258,009	\$ 3,267,968
Province of Ontario - Personal support worker training	739,754	620,126
Less: Deferred revenue	(160,458)	-
Province of Ontario - Pandemic funding	311,571	-
DNSSAB rental subsidy (Notes 11 and 12)	970,874	939,073
Rental income	428,438	429,927
Other income	311,222	407,163
Administrative fees and other	144,532	138,194
Investment income (loss)	108,172	(17,737)
	<u>6,112,114</u>	<u>5,784,714</u>
Expenses		
Salaries and employee benefits	3,333,967	3,210,886
Program expenses	1,089,346	833,555
Utilities and property taxes	392,564	382,116
Materials and supplies	231,234	189,639
Mortgage interest	56,378	83,751
Administrative overhead	62,657	61,840
Transfer to capital reserve fund	94,276	92,094
Amortization	496,532	477,665
	<u>5,756,954</u>	<u>5,331,546</u>
Excess of revenues over expenses before item below	355,160	453,168
Less: Payable to Funding agencies	<u>(178,668)</u>	<u>(393,938)</u>
Excess of revenues over expenses for the year	<u>\$ 176,492</u>	<u>\$ 59,230</u>

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

Physically Handicapped Adults' Rehabilitation Association
- Nipissing - Parry Sound (PHARA)
Statement of Changes in Net Assets

For the year ended March 31	2021	2020
Net Assets, beginning of year	\$ 851,121	\$ 803,820
Adjustments per review by DNSSAB (net) (Note 12)	(5,645)	(11,929)
Excess of revenues over expenses for the year	<u>176,492</u>	<u>59,230</u>
Net Assets, end of year	<u>\$ 1,021,968</u>	<u>\$ 851,121</u>

Physically Handicapped Adults' Rehabilitation Association
- Nipissing - Parry Sound (PHARA)
Statement of Cash Flows

For the year ended March 31	2021	2020
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 176,492	\$ 59,230
Items not involving cash		
Amortization of capital assets	496,532	477,665
	<u>673,024</u>	<u>536,895</u>
Changes in non-cash working capital balances		
Short-term investments	(108,143)	23,124
Accounts receivable	(90,494)	16,272
Prepaid expenses	17,089	(21,181)
Accounts payable and accrued liabilities	59,013	471,522
Deferred revenue	215,417	-
	<u>765,906</u>	<u>1,026,632</u>
Investing and Financing activities		
Repayment of long-term debt	(496,532)	(477,666)
Adjustments to prior years' settlements	(5,645)	(11,929)
Due (to) from related entity	-	7,585
	<u>(502,177)</u>	<u>(482,010)</u>
Increase in cash and cash equivalents during the year	263,729	544,622
Cash and cash equivalents, beginning of year	<u>1,439,012</u>	<u>894,390</u>
Cash and cash equivalents, end of year	<u>\$ 1,702,741</u>	<u>\$ 1,439,012</u>

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

Physically Handicapped Adults' Rehabilitation Association
- Nipissing - Parry Sound (PHARA)
Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies

Nature and Purpose
of Organization

Physically Handicapped Adults' Rehabilitation Association - Nipissing - Parry Sound ("PHARA") was incorporated under the laws of Ontario on February 7, 1975 as a corporation without share capital. PHARA carries on two major programs each funded by different sources as follows:

Housing Programs - Provides accessible and affordable housing to low-income individuals or households having at least one member living with physical disabilities through subsidies administered by the District of Nipissing Social Services Administration Board ("DNSSAB").

Long-Term Care Programs - Provides Health Care services to physically handicapped adults and seniors throughout the District of Nipissing through contracts funded by the Long-Term Care Division of the Ministry of Health (MOH) / North East Local Health Integration Network (NELHIN).

Income Taxes

PHARA is a non-profit registered charity under the Income Tax Act and as a result is exempt from income taxes.

Basis of Accounting

These financial statements have been prepared by the organization in accordance with significant accounting principles set out below to comply with the Ministry of Health and DNSSAB. The basis of accounting used in these financial statements materially differ from Canadian accounting standards for not-for-profit organizations as described in the following:

a. Capital Assets

Land, Building and Equipment

Land, building and equipment are capitalized at cost in the accounts to the extent of the related long-term liability. Thereafter, they are amortized at an amount equal to the principal repayment on the mortgage.

Approved Capital Asset Additions

Capital assets approved by the funding ministries are recorded as expenses in the year they were budgeted for.

Unapproved Capital Asset Additions

Capital assets that are not approved by the funding ministries are recorded at cost and amortized over their useful life.

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1. Summary of Significant Accounting Policies (continued)

b. Capital

Reserve Fund

The capital reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus. The Fund is maintained to provide for major repairs and/or replacements as they occur.

c. Vacation pay

Vacation pay is not recorded on an accrual basis but instead it is expensed in the year it is taken or paid.

Cash and

Cash Equivalents

Cash and cash equivalents includes cash on hand, current bank accounts and short-term deposits, if any, with maturity of less than 90 days.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods mutual fund investments are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Physically Handicapped Adults' Rehabilitation Association
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1. Summary of Significant Accounting Policies (continued)

Revenue Recognition The organization follows the deferral method of accounting for contributions. Operating funding received from the various funding agencies is recognized in the period to which it relates.

Deferred Recognition The organization has entered into agreements where the services to be performed extends beyond year end. For these agreements, the organization records a long term obligation and recognizes revenue over the period of the agreement as the services are rendered.

Use of Estimates The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from management's best estimates as additional information becomes available in the future.

The most significant financial statement area requiring the use of estimates is accounts receivable which is reported based on amounts expected to be recovered based on management's estimates.

2. Short-Term Investments

Short-term investments in the amount of \$673,403 (2020 - \$565,260) are investments in eight (2020 - eight) mutual funds and are carried at their fair market value. The historical cost of these investments is \$443,053 (2020 - \$443,053).

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3. Accounts Receivable

	2021	2020
Accounts receivable ⁽ⁱ⁾	\$ 102,688	\$ 48,539
Sales tax recoverable	73,345	37,000
	\$ 176,033	\$ 85,539

(i) Accounts receivable is net of an impairment allowance of \$Nil (2020 - \$3,642).

4. Due from Related Entity

Physically Handicapped Adults' Rehabilitation Association - Nipissing - Parry Sound (PHARA) - Westwinds Heights was incorporated under the laws of Ontario on August 27, 2004 as a corporation without share capital and is a registered charity and therefore not subject to income tax. This corporation is related by way of common Board of Directors.

The due from related entity balance consists of funds advanced to PHARA - Westwinds Heights to assist with the funding of capital project expenditures. At year end the balance receivable from PHARA - Westwinds Heights was \$98,630 (2020 - \$98,630). This amount has no specific terms of repayment and is non-interest bearing.

5. Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Westwinds Apartments	\$ 4,571,412	\$ 4,084,712	\$ 486,700	\$ 774,284
Westwinds Village	4,708,628	2,996,720	1,711,908	1,920,856
	\$ 9,280,040	\$ 7,081,432	\$ 2,198,608	\$ 2,695,140

Physically Handicapped Adults' Rehabilitation Association
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6. Accounts Payable

	2021	2020
Accounts payable and accrued liabilities ⁽ⁱ⁾	\$ 580,060	\$ 539,931
Due to funding agencies	803,225	784,341
Mortgage payment accrual	46,076	46,076
	\$ 1,429,361	\$ 1,370,348

(i) Included in accounts payable and accrued liabilities is \$37,084 (2020 - \$26,904) in government remittances payable.

7. Deferred Revenue

Deferred revenue consists of unspent PSW training funding to be used in fiscal 2021-22 and unspent Ontario Trillium Foundation grants to be used in fiscal 2021-22.

The breakdown of deferred revenue is as follows:

	2021	2020
Personal Support Worker Training funding	\$ 160,458	\$ -
Ontario Trillium Foundation grants	54,959	-
	\$ 215,417	\$ -

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8. Reserve Funds

	<u>2021</u>	<u>2020</u>
Capital Reserve Fund	\$ 824,824	\$ 592,158

Under the terms of its agreement with the District of Nipissing Social Services Administration Board (DNSSAB), PHARA is required to maintain a capital reserve fund. The fund is to be used to finance major repairs and/or replacements as they occur in the future.

The investments consist of Canadian Bond and Canadian Equity funds, the fair value of which is \$272,406 (2020 - \$203,565) and \$485,669 (2020 - \$265,446) respectively, totaling \$758,075 (2020 - \$469,011). This entire amount, \$758,075 (2020 - \$469,011), is restricted for capital reserves. The historical cost of these investments at year end was \$707,869 (2020 - \$510,235) and the investments are reported at fair value. In addition, the capital reserve fund includes cash in the amount of \$66,748 (2020 - \$123,146).

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9. Long-term Debt

	2021	2020
2.220% People's Group first mortgage, secured by a first charge on the capital assets known as Westwinds Village, repayable \$20,759 monthly including interest, maturing September 2024.	\$ 1,702,882	\$ 1,911,633
2.490% MCAP Bank first mortgage, secured by a first charge on the capital assets known as Westwinds Apartments, repayable \$25,319 monthly including interest, maturing January 2022.	495,751	783,532
	2,198,633	2,695,165
Less: current portion	498,510	280,000
	\$ 1,700,123	\$ 2,415,165

Principal payments required on long-term debt for the next five years are due as follows:

2022	\$ 498,510
2023	412,761
2024	220,761
2025	229,831
2026	239,273
Thereafter	597,497
	\$ 2,198,633

10. Credit Facility

The organization has access to a line of credit with a limit of \$150,000. At year end the organization had utilized \$Nil (2020 - \$Nil) of this facility. Interest is charged on this loan at prime plus 0.50%.

Physically Handicapped Adults' Rehabilitation Association
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11. Commitments / Contingencies

PHARA is committed to providing support services to physically handicapped adults and seniors through annual contracts signed by Long-Term Care Division of the Ministry of Health / North East Local Health Integration Network. These contracts expire on March 31st of each year. Annual submissions are made subsequent to each year end and may result in amounts due to or from the funder.

PHARA is committed to providing housing to low income earners through annual subsidies provided by the District of Nipissing Social Services Administration Board. Annual submissions are made subsequent to year end and may result in amounts due to or from the funder.

12. DNSSAB Housing Subsidy

The organization receives a monthly housing subsidy, currently at \$80,906 (2020 - \$78,256) which is based upon an approved annual cash flow budget. The subsidy is received from the District of Nipissing Social Services Administration Board which administers the housing programs. The subsidy is used in part to assist the corporation with its monthly mortgage payment and in part to provide affordable housing to low income earners. Each year, PHARA completes year end settlement forms to calculate the amount that is receivable or payable to the District of Nipissing Social Services Administration Board. These amounts are recorded as an adjustment to net assets in the year that the amounts become known.

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13. Financial Instrument Risks

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and cash equivalents, investments, accounts receivable and amounts due from a related entity. The organization maintains cash and cash equivalents in excess of federally insured limits with a single financial institution. The majority of the organization's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding. The amounts due from a related entity are significant and expose the organization to credit risk from this concentration.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities and long-term debt.

There have been no changes to the organization's financial instrument risk exposure from the prior year.

14. Uncertainty due to COVID-19

During the year, the impact of COVID-19 in Canada and on the global economy increased significantly. As the impacts of COVID-19 continue, there could be further impacts on the organization, its funders and tenants. Management is actively monitoring the affect on its financial condition, liquidity, operations, suppliers, tenants and workforce. Given the daily evolution of the COVID-19 pandemic the organization is not able to measure the full financial impact, if any, on fiscal 2022 and beyond.