

RECEIVED
JUL 04 2019

Nakile Housing Corporation

operating as
Nakile Home for Special Care

FINANCIAL STATEMENTS

March 31, 2019

Nakile Housing Corporation
Table of Contents
Year Ended March 31, 2019

Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 9
Schedule of Expenditures	10 - 11
Statement of Protected Funding Revenues and Expenditures	12

360 Main Street, 2nd Level
Yarmouth, NS B5A 1E8
Telephone: 742-7726
Fax: 742-8330

Independent Auditor's Report

To the Chairperson and Board of Directors of Nakile Housing Corporation:

Qualified Audit Opinion

We have audited the accompanying financial statements of Nakile Housing Corporation which comprise the statement of financial position as at March 31, 2019 and the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2019 and the results of its operations and cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Basis for Qualified 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 Association 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 qualified opinion.

Nakile Housing Corporation accounts for principal debt repayments and Employee Benefit Fund transfer (see Note 9) as expenditures to the Operating Fund. This superficially inflates the expenses of the Operating Fund by \$427,254. The Organization also does not provide for amortization (see Note 3) on property and equipment. In this respect, the financial statements are not in accordance with Canadian generally accepted accounting principles for not-for-profit entities. Amortization has never been provided for in the financial statements and a reasonable estimate has not been determined.

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 generally accepted accounting principles 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.

In preparing these financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.



Independent Auditor's Report (Cont'd)

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 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 Association'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 Association'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 Association 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.

Yarmouth, Nova Scotia
June 19, 2019

Conrad Hurlbert LeBlanc Inc.
Chartered Professional Accountants

Nakile Housing Corporation

Statement of Operations
Year Ended March 31, 2019

	Budget	Operating Fund	Resident Trust Fund	Replacement Reserve	Memorial Fund	Campaign Reserve	Employee Benefit Fund	Capital Renewal	TOTAL 2019	TOTAL 2018
Revenues										
Department of Health	\$ 3,525,525	\$ 3,586,106	\$ 0	\$ 68,540	\$ 0	\$ 0	\$ 0	\$ 32,520	\$ 3,687,166	\$ 3,536,910
Accommodation charges	907,880	839,477	0	0	0	0	0	0	839,477	760,822
Insurers of First Resort	0	0	0	0	0	0	0	0	0	92,491
Respite, donations and other income	0	15,321	30	570	1,053	9,942	982	637	28,535	26,827
Resident trust deposits	0	0	24,386	0	0	0	0	0	24,386	21,352
Contributions to ASO	0	0	0	0	0	0	175,407	0	175,407	149,989
Total revenues	<u>4,433,405</u>	<u>4,440,904</u>	<u>24,416</u>	<u>69,110</u>	<u>1,053</u>	<u>9,942</u>	<u>176,389</u>	<u>33,157</u>	<u>4,754,971</u>	<u>4,588,391</u>
Expenditures										
Salaries										
Administrative	137,579	138,998	0	0	0	0	0	0	138,998	157,888
Direct care	1,994,880	2,012,026	0	0	0	0	0	0	2,012,026	1,955,781
Program support	75,621	110,297	0	0	0	0	0	0	110,297	107,401
Dietary	293,821	315,450	0	0	0	0	0	0	315,450	304,697
Environmental	298,459	310,928	0	0	0	0	0	0	310,928	305,555
	<u>2,800,360</u>	<u>2,887,699</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,887,699</u>	<u>2,831,322</u>
Benefits										
Group benefits and ASO expenditures	<u>555,887</u>	<u>564,285</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>192,581</u>	<u>0</u>	<u>756,866</u>	<u>687,736</u>
Operations and maintenance										
Administration (Page 10)	77,324	127,697	0	0	7,723	42	0	0	135,462	114,473
Direct care (Page 10)	80,586	59,603	0	0	0	0	0	0	59,603	66,725
Program support (Page 10)	17,821	14,875	23,331	0	0	3,500	0	0	41,706	50,736
Dietary (Page 10)	167,743	164,669	0	0	0	0	0	0	164,669	159,826
Capital (Page 11) (Note 9)	528,267	528,593	0	63,317	0	0	0	0	591,910	532,419
Environmental (Page 11)	27,878	29,545	0	0	0	0	0	0	29,545	27,771
Maintenance (Page 11)	177,539	172,788	0	0	0	0	0	0	172,788	180,457
	<u>1,077,158</u>	<u>1,097,770</u>	<u>23,331</u>	<u>0</u>	<u>7,723</u>	<u>3,542</u>	<u>0</u>	<u>0</u>	<u>1,195,683</u>	<u>1,132,407</u>
Total expenditures	<u>4,433,405</u>	<u>4,549,754</u>	<u>23,331</u>	<u>63,317</u>	<u>7,723</u>	<u>3,542</u>	<u>192,581</u>	<u>0</u>	<u>4,840,248</u>	<u>4,651,465</u>
Exp. in excess of rev. before undernoted	0	(108,850)	1,085	5,793	(6,670)	6,400	(16,192)	33,157	(85,277)	(63,074)
Capital debt retired (Note 9)	0	296,415	0	0	0	0	0	0	296,415	290,577
Employee Benefit Fund (Note 9)	0	130,839	0	0	0	0	(130,839)	0	0	0
Excess of revenues over expenditures	<u>\$ 0</u>	<u>\$ 318,404</u>	<u>\$ 1,085</u>	<u>\$ 5,793</u>	<u>\$ (6,670)</u>	<u>\$ 6,400</u>	<u>\$ (147,031)</u>	<u>\$ 33,157</u>	<u>\$ 211,138</u>	<u>\$ 227,503</u>

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

Nakile Housing Corporation
Statement of Changes in Net Assets
Year Ended March 31, 2019

	Operating Fund	Resident Trust Fund	Replacement Reserve	Memorial Fund	Campaign Reserve	Employee Benefit Fund	Capital Renewal	TOTAL 2019	TOTAL 2018
Net assets, beginning of year	\$ 2,231,317	\$ 3,836	\$ 209,423	\$ 13,656	\$ 1,844	\$ 115,715	\$ 92,197	\$ 2,667,988	\$ 2,440,483
Excess of revenues over expenditures	318,404	1,085	5,793	(6,670)	6,400	(147,031)	33,157	211,138	227,503
Interfund transfers (Note 5)	<u>(135,839)</u>	<u>0</u>	<u>5,000</u>	<u>0</u>	<u>0</u>	<u>130,839</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net assets, end of year	<u>\$ 2,413,882</u>	<u>\$ 4,921</u>	<u>\$ 220,216</u>	<u>\$ 6,986</u>	<u>\$ 8,244</u>	<u>\$ 99,523</u>	<u>\$ 125,354</u>	<u>\$ 2,879,126</u>	<u>\$ 2,667,986</u>

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

Nakile Housing Corporation
Statement of Financial Position
Year Ended March 31, 2019

	Operating Fund	Resident Trust Fund	Replacement Reserve	Memorial Fund	Campaign Reserve	Employee Benefit Fund	Capital Renewal	TOTAL 2019	TOTAL 2018
ASSETS									
Current									
Cash and cash equivalents	\$ 0	\$ 4,921	\$ 52,775	\$ 6,986	\$ 8,244	\$ 0	\$ 125,354	\$ 198,280	\$ 181,495
Interfund receivable	0	0	167,441	0	0	0	0	167,441	163,023
Receivables	24,356	0	0	0	0	0	0	24,356	173,014
HST receivable	18,631	0	0	0	0	0	0	18,631	20,238
Prepaid expenses	<u>27,643</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>27,643</u>	<u>27,253</u>
	70,630	4,921	220,216	6,986	8,244	0	125,354	436,351	565,023
Investment - ASO	0	0	0	0	0	99,523	0	99,523	115,715
Land	25,000	0	0	0	0	0	0	25,000	25,000
Well	79,358	0	0	0	0	0	0	79,358	79,358
Building	9,043,468	0	0	0	0	0	0	9,043,468	9,043,468
Vehicles	122,485	0	0	0	0	0	0	122,485	122,485
Equipment	<u>439,360</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>439,360</u>	<u>439,360</u>
	<u>\$ 9,780,301</u>	<u>\$ 4,921</u>	<u>\$ 220,216</u>	<u>\$ 6,986</u>	<u>\$ 8,244</u>	<u>\$ 99,523</u>	<u>\$ 125,354</u>	<u>\$ 10,245,545</u>	<u>\$ 10,390,409</u>
LIABILITIES									
Current									
Bank overdraft	\$ 1,919	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,919	\$ 0
Payables and accruals (Note 4)	255,027	0	0	0	0	0	0	255,027	276,915
Interfund payables	167,441	0	0	0	0	0	0	167,441	163,023
Deferred revenue	32,300	0	0	0	0	0	0	32,300	74,192
Current portion of long-term debt (Note 6)	<u>290,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>290,996</u>	<u>282,721</u>
	747,683	0	0	0	0	0	0	747,683	796,851
	<u>6,618,736</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,618,736</u>	<u>6,925,572</u>
Long-term debt (Note 6)	7,366,419	0	0	0	0	0	0	7,366,419	7,722,423
	<u>2,413,882</u>	<u>4,921</u>	<u>220,216</u>	<u>6,986</u>	<u>8,244</u>	<u>99,523</u>	<u>125,354</u>	<u>2,879,126</u>	<u>2,667,986</u>
FUND BALANCES	<u>\$ 9,780,301</u>	<u>\$ 4,921</u>	<u>\$ 220,216</u>	<u>\$ 6,986</u>	<u>\$ 8,244</u>	<u>\$ 99,523</u>	<u>\$ 125,354</u>	<u>\$ 10,245,545</u>	<u>\$ 10,390,409</u>

On behalf of the Board

Director

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

Nakile Housing Corporation
Statement of Cash Flows
For the Year Ended March 31, 2019

	<u>2019</u>	<u>2018</u>
Operating		
Excess of revenues over expenditures	\$ <u>211,138</u>	\$ <u>227,503</u>
Changes in		
Receivables	150,265	(133,014)
Prepays	(390)	(674)
Payables and accrued liabilities	(21,888)	(42,318)
Deferred revenue	<u>(41,892)</u>	<u>74,192</u>
	<u>297,233</u>	<u>125,689</u>
Financing		
Repayments of debt	<u>(298,559)</u>	<u>(290,575)</u>
Investing		
Change in investments	<u>16,192</u>	<u>44,218</u>
Net increase (decrease) in cash and cash equivalents	14,866	(120,668)
Cash and cash equivalents, beginning of year	<u>181,495</u>	<u>302,163</u>
Cash and cash equivalents and bank overdraft, end of year	\$ <u>196,361</u>	\$ <u>181,495</u>

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

March 31, 2019

The Nakile Housing Corporation operates a 47 bed (plus 1 respite) facility in Argyle, provides full time nursing care to the elderly and is a registered charity.

These financial statements were prepared using the Canadian accounting standards for not-for-profit organizations.

Cash and cash equivalents include petty cash, cash floats, and balances with banks. Bank borrowings are considered to be financing activities.

3. Summary of significant accounting policies (continued)

Revenue recognition and deferred contributions

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Corporation recognizes room, board, and special care revenue on a daily basis. Other revenue is recognized as it is earned.

Financial instrument measurement

The Corporation initially measures its financial assets and financial liabilities at fair market value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets and liabilities subsequently measured at amortized cost include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities, and ASO investments.

Financial instruments

The Corporation is exposed to various risks through its financial instruments. The following analysis presents the Association's exposures to significant risk:

Credit Risk

Nakile is exposed to credit risk with respect to accounts receivable. Nakile assesses, on a continuous basis, accounts receivable on the basis of amounts it is certain to receive.

Interest rate risk

Nakile is exposed to interest rate risk on its fixed interest rate financial instruments. Fixed-rate instruments subject Nakile to risk of changes in fair value.

Use of estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenues and expenses. Actual amounts could differ from these estimates. Estimates include accruals and deferred revenue.

Government assistance

Government grants relating to the acquisition of property and equipment are recorded as deferred credits and are amortized on the same basis as the related assets are amortized.

4. Payables and accruals

	2019	2018
Payables and accruals	\$ 233,066	\$ 254,733
Employee remittances payable	4,566	4,131
Interest accrual	17,395	18,050
	<u>\$ 255,027</u>	<u>\$ 276,914</u>

5. Interfund transfers

During fiscal 2019, Nakile transferred \$0 (2018 - \$11,200) from the Employee Benefit Reserve Fund to the Operating Fund to pay for long-term service awards, \$5,000 (2018 - \$5,000) from the Operating Fund to the Replacement Fund to satisfy the annual requirement imposed by the Department of Community Services, and \$130,839 (2018 - \$121,461) from the Operating Fund to the Employee Benefit Fund regarding annual requirements for the employer's portion of the group insurance costs.

Nakile Housing Corporation

Notes to the Financial Statements

Year Ended March 31, 2019

6. Long-term debt	2019	2018
1.47% mortgage, payable to Nova Scotia Community Services in equal monthly installments of \$8,319 including principal and interest; due December 1, 2024	\$ 550,095	\$ 641,133
3.27% mortgage, payable to Nova Scotia Community Services in equal monthly installments of \$21,976 including principal and interest; due March 1, 2040	4,009,765	4,140,918
3.32% mortgage, payable to Nova Scotia Community Services in equal monthly installments of \$12,935 including principal and interest; due March 1, 2040	<u>2,349,872</u>	<u>2,426,242</u>
	6,909,732	7,208,293
Current portion of long-term debt	<u>(290,996)</u>	<u>(282,721)</u>
	\$ <u>6,618,736</u>	\$ <u>6,925,572</u>

Principal payments due with each of the next five years are approximately as follows:

2020	\$ 290,996
2021	312,807
2022	322,618
2023	331,052
2024	340,310
Thereafter	<u>5,311,949</u>
	\$ <u>6,909,732</u>

The security for all debt is the building, which has a book value of \$9,043,468 as of March 31, 2019.

7. Credit facilities

Nakile has a \$125,000 revolving credit line available at an interest rate of prime plus 3.5%. At March 31, 2019, this credit facility is unused.

8. Economic dependence

Nakile receives annual funding from the Department of Health to cover operating expenses. The continued operation of Nakile depends on the receipt of this annual funding.

9. Presentation of principal debt payments and Employee Benefit Fund transfer

The users of the financial statements regard principal debt repayments and contributions to the Employee Benefit Fund (or ASO plan) as expenditures, which corresponds to the budget received from the Department of Health. As a result, the principal debt payments and Employee Benefit Fund transfer are added back to the bottom line of the statement of operations to bring the revenues in excess of expenditures into accordance with Canadian generally accepted accounting principles for not-for-profit entities.

10. Comparative figures

Some figures from the prior year have been reclassified to correspond with presentation adopted for fiscal 2019.

Nakile Housing Corporation
Schedule of Expenditures
Year Ended March 31, 2019

	<u>Budget</u>	<u>2019</u>	<u>2018</u>
Administration			
Car and travel	\$ 3,000	\$ 4,002	\$ 2,147
Staff education	2,000	2,817	2,139
Membership dues and fees	600	2,920	1,306
Professional fees	11,400	18,390	16,023
Office supplies and postage	13,555	16,917	15,718
Miscellaneous	0	5,463	2,972
Bank charges and interest	2,500	3,014	2,637
Board meetings	4,500	6,385	3,864
HST expense	11,800	12,682	14,787
Contract services	5,000	26,768	24,510
Hairdressing	928	1,063	789
Insurance	15,241	15,325	14,739
Promotion and advertising	500	139	417
Telephone and fax	5,500	9,199	4,406
Cable	<u>800</u>	<u>2,613</u>	<u>2,438</u>
	<u>\$ 77,324</u>	<u>\$ 127,697</u>	<u>\$ 108,892</u>
Direct Care			
Incontinent	\$ 28,200	\$ 25,416	\$ 25,003
Honorarium - Medical Director	4,500	5,255	5,405
Medical supplies	19,470	13,245	18,413
Non prescription and prescription drugs	11,015	5,978	7,321
Personal care	15,901	6,391	8,695
Travel and education	<u>1,500</u>	<u>3,318</u>	<u>1,888</u>
	<u>\$ 80,586</u>	<u>\$ 59,603</u>	<u>\$ 66,725</u>
Program Support			
Contract services - occupational therapy	\$ 2,000	\$ 635	\$ 1,010
Travel and education	1,500	35	2,029
Resident outings	<u>14,321</u>	<u>14,205</u>	<u>13,269</u>
	<u>\$ 17,821</u>	<u>\$ 14,875</u>	<u>\$ 16,308</u>
Dietary			
Food	\$ 148,535	\$ 148,037	\$ 140,807
Utensil and china replacement	7,114	6,007	5,990
Travel and education	2,000	1,328	2,163
Cleaning supplies	5,094	5,309	5,663
Paper products	<u>5,000</u>	<u>3,988</u>	<u>5,203</u>
	<u>\$ 167,743</u>	<u>\$ 164,669</u>	<u>\$ 159,826</u>

Nakile Housing Corporation			
Schedule of Expenditures			
Year Ended March 31, 2019			
	Budget	2019	2018
Capital			
Small equipment and projects	\$ 6,230	\$ 12,637	\$ 14,299
Capital debt charges			
Principal (Note 9)	299,695	296,415	290,577
Interest	<u>222,342</u>	<u>219,541</u>	<u>227,543</u>
	\$ <u>528,267</u>	\$ <u>528,593</u>	\$ <u>532,419</u>
Environmental			
Supplies	\$ 14,658	\$ 16,245	\$ 15,549
Bedding	3,100	2,740	2,846
Paper products	8,120	9,304	8,752
Travel and education	<u>2,000</u>	<u>1,256</u>	<u>624</u>
	\$ <u>27,878</u>	\$ <u>29,545</u>	\$ <u>27,771</u>
Maintenance			
Electricity and heat	\$ 95,499	\$ 102,678	\$ 99,244
Repairs and maintenance	55,232	41,442	56,272
Civic taxes	<u>26,808</u>	<u>28,668</u>	<u>24,941</u>
	\$ <u>177,539</u>	\$ <u>172,788</u>	\$ <u>180,457</u>

Nakile Housing Corporation
Statement of Protected Funding Revenues and Expenditures
Year Ended March 31, 2019

	<u>2019</u>	<u>2018</u>
Revenues - Protected Funding		
Salaries	\$ 786,306	\$ 772,537
Operations (Program Support / Resident Care)	<u>23,261</u>	<u>22,647</u>
	<u>809,567</u>	<u>795,184</u>
Expenditures		
Salaries		
Direct care	634,614	630,333
Program support	50,309	45,566
Group benefits	140,913	137,236
Operations (Program Support / Resident Care)		
Incontinent products	6,354	6,251
Medical advisor / physician fees	1,314	1,276
Nursing and resident care supplies	5,046	7,029
OTC medications	1,495	1,965
Recreation and program support supplies	<u>3,559</u>	<u>3,317</u>
	<u>843,604</u>	<u>832,973</u>
(Deficit) / surplus payable - Health Care Costs	\$ <u>(34,037)</u>	<u>(37,789)</u>
Raw Food		
Protected funding - raw food revenue	\$ 32,176	\$ 31,327
Raw food expenditure	<u>37,009</u>	<u>35,202</u>
(Deficit) / surplus payable - Raw Food	\$ <u>(4,833)</u>	<u>(3,875)</u>