

FINANCIAL STATEMENTS
For
HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)
For year ended
DECEMBER 31, 2022

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

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INDEPENDENT AUDITOR'S REPORT

To the Members of

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)*Qualified Opinion*

We have audited the financial statements of Hillel Lodge Long-Term Care Foundation (Ottawa) (the Foundation), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in fund balances and 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 possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these items was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and memberships revenue, endowments and bequests revenue, events revenue, restricted giving revenue, net expense, and cash flows for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and fund balances as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

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 Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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 audit opinion.

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 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.

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation'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 Foundation 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.

Welch LLP

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
May 30, 2023.

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2022

| | Operating Fund | Endowment Fund | Internally Restricted Fund | Internally Restricted Reserve | 2022 Total | 2021 Total |
|--|-------------------|---------------------|----------------------------------|-------------------------------------|----------------------|----------------------|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash | \$ 427,295 | \$ 245,423 | \$ 210,527 | \$ 348,019 | \$ 1,231,264 | \$ 1,552,861 |
| Short-term investments (note 4) | - | 4,059,638 | 5,909,234 | - | 9,968,872 | 12,179,334 |
| Other investments | 13,555 | - | - | - | 13,555 | 12,579 |
| Accounts receivable | 10,120 | 22,677 | 13,561 | - | 46,358 | 16,383 |
| Government remittances receivable | 8,531 | - | - | - | 8,531 | 6,500 |
| Pledges receivable (note 5) | - | - | - | - | - | 50,000 |
| Prepaid expense | 13,135 | - | - | - | 13,135 | 1,403 |
| Due from operating fund | - | 659 | 735 | - | 1,394 | 2,891 |
| | <u>472,636</u> | <u>4,328,397</u> | <u>6,134,057</u> | <u>348,019</u> | <u>11,283,109</u> | <u>13,821,951</u> |
| TANGIBLE CAPITAL ASSETS (note 6) | 608 | - | - | - | 608 | 1,824 |
| LONG-TERM INVESTMENTS (note 4) | - | 2,550,743 | 1,487,988 | - | 4,038,731 | 2,746,331 |
| | <u>\$ 473,244</u> | <u>\$ 6,879,140</u> | <u>\$ 7,622,045</u> | <u>\$ 348,019</u> | <u>\$ 15,322,448</u> | <u>\$ 16,570,106</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable and accrued liabilities | \$ 15,827 | \$ 8,226 | \$ 9,167 | \$ - | \$ 33,220 | \$ 111,610 |
| Due to Hillel Lodge Long-Term Care Home of Ottawa (note 7) | 5,107 | - | 300,000 | - | 305,107 | 53,386 |
| Deferred contributions | 231,684 | - | - | - | 231,684 | - |
| Due to endowment fund | 659 | - | - | - | 659 | 1,391 |
| Due to internally restricted fund | 735 | - | - | - | 735 | 1,500 |
| | <u>254,012</u> | <u>8,226</u> | <u>309,167</u> | <u>-</u> | <u>571,405</u> | <u>167,887</u> |
| FUND BALANCES | | | | | | |
| Operating fund - | | | | | | |
| Unrestricted | 219,232 | - | - | - | 219,232 | 228,577 |
| Internally restricted | - | - | 7,312,878 | - | 7,312,878 | 8,221,339 |
| Internally restricted reserve | - | - | - | 348,019 | 348,019 | 341,150 |
| Endowment fund | - | 6,870,914 | - | - | 6,870,914 | 7,611,153 |
| | <u>219,232</u> | <u>6,870,914</u> | <u>7,312,878</u> | <u>348,019</u> | <u>14,751,043</u> | <u>16,402,219</u> |
| | <u>\$ 473,244</u> | <u>\$ 6,879,140</u> | <u>\$ 7,622,045</u> | <u>\$ 348,019</u> | <u>\$ 15,322,448</u> | <u>\$ 16,570,106</u> |

Approved by the Board:

..... Director

(See accompanying notes)

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HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2022

| | <u>Operating Fund</u> | <u>Endowment Fund</u> | <u>Internally Restricted Fund</u> | <u>Internally Restricted Reserve</u> | <u>2022 Total</u> | <u>2021 Total</u> |
|---|---------------------------|---------------------------|---|--|-----------------------|-----------------------|
| Fund balances, beginning of year | \$ 228,577 | \$ 7,611,153 | \$ 8,221,339 | \$ 341,150 | \$ 16,402,219 | \$ 14,544,402 |
| Net revenue (expense) | (1,713) | (740,239) | (916,093) | 6,869 | (1,651,176) | 1,857,817 |
| Interfund transfers (note 8) Transfer internally restricted investments to separate fund | <u>(7,632)</u> | <u>-</u> | <u>7,632</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 219,232</u> | <u>\$ 6,870,914</u> | <u>\$ 7,312,878</u> | <u>\$ 348,019</u> | <u>\$ 14,751,043</u> | <u>\$ 16,402,219</u> |

(See accompanying notes)

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2022

| | Operating <u>Fund</u> | Endowment <u>Fund</u> | Internally Restricted <u>Fund</u> | Internally Restricted <u>Reserve</u> | 2022 <u>Total</u> | 2021 <u>Total</u> |
|--|--------------------------|--------------------------|---|--|----------------------|----------------------|
| Revenue | | | | | | |
| Donations and memberships | \$ 58,517 | \$ - | \$ - | \$ - | \$ 58,517 | \$ 69,214 |
| Endowments and bequests | 20,482 | 44,581 | - | - | 65,063 | 244,338 |
| Events | 270,030 | - | - | - | 270,030 | 377,944 |
| Restricted giving | 41,725 | - | - | - | 41,725 | 58,136 |
| Dividend | - | 200,133 | 251,746 | - | 451,879 | 423,294 |
| Interest | - | 34,102 | 20,609 | 6,869 | 61,580 | 48,220 |
| Realized gain on investments | - | 93,650 | 80,622 | - | 174,272 | 254,448 |
| Other | 8,153 | - | - | - | 8,153 | 30,003 |
| | <u>398,907</u> | <u>372,466</u> | <u>352,977</u> | <u>6,869</u> | <u>1,131,219</u> | <u>1,505,597</u> |
| Expenses | | | | | | |
| Office | 11,182 | - | - | - | 11,182 | 10,253 |
| Salaries and benefits | 128,047 | - | - | - | 128,047 | 253,142 |
| Professional fees | 31,403 | - | - | - | 31,403 | 33,957 |
| Investment management fees | - | 30,618 | 33,649 | - | 64,267 | 64,808 |
| Fundraising | 46,874 | - | - | - | 46,874 | 62,251 |
| | <u>217,506</u> | <u>30,618</u> | <u>33,649</u> | <u>-</u> | <u>281,773</u> | <u>424,411</u> |
| Net revenue before items below | 181,401 | 341,848 | 319,328 | 6,869 | 849,446 | 1,081,186 |
| Unrealized gain (loss) on investments | - | (828,119) | (666,501) | - | (1,494,620) | 1,529,137 |
| Contribution to Hillel Lodge Long-Term Care Home of Ottawa (note 7) | (183,114) | (253,968) | (568,920) | - | (1,006,002) | (752,506) |
| | <u>(183,114)</u> | <u>(1,082,087)</u> | <u>(1,235,421)</u> | <u>-</u> | <u>(2,500,622)</u> | <u>776,631</u> |
| Net revenue (expense) | \$ (1,713) | \$ (740,239) | \$ (916,093) | \$ 6,869 | \$ (1,651,176) | \$ 1,857,817 |

(See accompanying notes)

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HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2022

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| CASH FLOW FROM (USED IN): | | |
| OPERATIONS | | |
| Net revenue (expense) | \$ (1,651,176) | \$ 1,857,817 |
| Adjustments for: | | |
| Amortization of tangible capital assets | 1,216 | 1,216 |
| Realized gains on investments | (174,272) | (254,448) |
| Decrease (increase) in fair value of investments | <u>1,494,620</u> | <u>(1,529,137)</u> |
| | (329,612) | 75,448 |
| Changes in level of: | | |
| Accounts receivable | (29,975) | 34,409 |
| Government remittances receivable | (2,031) | (1,722) |
| Pledges receivable | 50,000 | 50,000 |
| Prepaid expenses | (11,732) | 2,005 |
| Accounts payable and accrued liabilities | (78,390) | 81,227 |
| Due to Hillel Lodge Long-Term Care Home of Ottawa | 251,721 | (49,893) |
| Deferred contributions | <u>231,684</u> | <u>-</u> |
| | <u>81,665</u> | <u>191,474</u> |
| INVESTING ACTIVITIES | | |
| Proceeds on sale of investments | 2,456,701 | 3,498,040 |
| Purchase of investments | <u>(2,859,963)</u> | <u>(3,669,393)</u> |
| | <u>(403,262)</u> | <u>(171,353)</u> |
| INCREASE (DECREASE) IN CASH | (321,597) | 20,121 |
| CASH, BEGINNING OF YEAR | <u>1,552,861</u> | <u>1,532,740</u> |
| CASH, END OF YEAR | <u>\$ 1,231,264</u> | <u>\$ 1,552,861</u> |

(See accompanying notes)

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2022

1. ORGANIZATION AND PURPOSE

The Hillel Lodge Long-Term Care Foundation (Ottawa) ("the Foundation") was incorporated without share capital under Part II of the *Canada Corporations Act* on June 11, 2002, and began operations on February 10, 2003. The Foundation has continued under section 211 of the Canada not-for-profit Corporations Act on April 24, 2014. The Foundation is registered as a charitable organization and is therefore exempt from income tax. The objectives of the Foundation are to receive contributions, to maintain funds and to contribute amounts out of income and capital to Hillel Lodge Long-Term Care Home of Ottawa ("the Lodge").

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Revenue recognition

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

The Operating Fund accounts for the Foundation's program delivery and administration. Unrestricted contributions are recorded as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Endowment Fund accounts for contributions to be maintained in perpetuity. The contributors have specified how the income from the assets is to be disbursed. Externally restricted contributions to be maintained in perpetuity are recognized as revenue of the Endowment Fund.

The Internally Restricted Fund accounts for contributions made by donors to the Foundation with no specific direction on how the funds must be used. Internal restrictions are subject to change by majority vote of the Board.

The Internally Restricted Reserve accounts for amounts allocated from the Foundation's other revenue sources and is used to provide for the future capital needs of the Lodge.

Financial instruments

Measurement of financial instruments

Cash and equity investments are measured at fair value at the financial statement date.

All other financial instruments are measured at amortized cost at the financial statement date.

Transaction costs

Transaction costs associated with the acquisition and disposal of investments are capitalized to the acquisition costs or reduced from proceeds on disposal.

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.****YEAR ENDED DECEMBER 31, 2022****2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.*****Tangible capital assets***

Tangible capital assets are capitalized at acquisition cost. Amortization is provided on a straight-line basis over their estimated useful lives of 5 years.

Use of estimates

The preparation of financial statements in accordance 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, revenues and expenses and disclosure of contingent assets and liabilities as 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.

The estimated useful life of the Foundation's tangible capital assets, the net realizable value of accounts receivables, and the amount of accrued liabilities are the most significant items where estimates are used.

3. 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.

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, investments and accounts receivable. The Foundation's cash is deposited with a Canadian chartered bank and their investments are managed by a national, full-service investment advisory firm. The Foundation manages the credit risk of accounts receivable by reviewing monthly aged accounts receivable and following up on outstanding amounts. Management believes that all accounts receivable at year end will be collected.

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.

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)**NOTES TO THE FINANCIAL STATEMENTS - Cont'd.****YEAR ENDED DECEMBER 31, 2022****3. 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.

As at December 31, 2022 the Foundation had cash of \$84,036 (2021 - \$11,984) and short-term investments of \$886,201 (2021 - \$960,301) denominated in US dollars. However, management does not believe it is exposed to significant currency risk as this amount does not represent a significant component of their financial instruments. The Foundation's remaining financial instruments are denominated in Canadian dollars and the Foundation transacts primarily in Canadian dollars.

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 is subject to interest rate risk to the extent it has guaranteed investment certificates and fixed income securities that bear interest.

The Foundation manages this risk by investing in investments with varying due dates from 2023 to 2027, which reduces the sensitivity of the portfolio to the impact of interest rate fluctuations.

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 exposed to other price risk due to its investment in a variety of publicly traded equities. Risk and volatility of investment returns are mitigated through diversification of investments in different business sectors.

Changes in risk

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

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2022

4. INVESTMENTS

Investments consists of:

| | <u>2022</u> | <u>2021</u> |
|--|---------------------|----------------------|
| Guaranteed investment certificates | \$ 4,338,731 | \$ 3,346,331 |
| Equities | <u>9,668,872</u> | <u>11,579,334</u> |
| | 14,007,603 | 14,925,665 |
| Long-term investments (maturing beyond one year) | <u>(4,038,731)</u> | <u>(2,746,331)</u> |
| Short-term investments | <u>\$ 9,968,872</u> | <u>\$ 12,179,334</u> |

Investments are managed by investment managers who are under the direction of the Board of Directors. Investment managers must follow the guidelines as set out in the Foundation's Investment Policy statement.

Guaranteed investment certificates bear interest at fixed rates ranging from 1.85% and 5.35%, and mature from 2023 to 2027 (2021 - 1.51% to 3.41%, maturing from 2022 to 2024). Equities are invested in Canadian and US companies. Included in accounts receivable at December 31, 2022 is accrued interest on guaranteed investment certificates of \$36,238 (2021 - \$16,383).

5. PLEDGES RECEIVABLE

Pledges receivable are carried at cost and were fully collected in the 2022 fiscal year.

6. TANGIBLE CAPITAL ASSETS

Tangible capital assets consists of:

| | 2022 | | 2021 | |
|--------------------------------|---------------|-------------------------------------|-----------------|-------------------------------------|
| | <u>Cost</u> | <u>Accumulated amortization</u> | <u>Cost</u> | <u>Accumulated amortization</u> |
| Memorial wall | \$ 16,256 | \$ 15,648 | \$ 16,256 | \$ 14,432 |
| Furniture and equipment | <u>2,312</u> | <u>2,312</u> | <u>2,312</u> | <u>2,312</u> |
| | 18,568 | <u>\$ 17,960</u> | 18,568 | <u>\$ 16,744</u> |
| Less: accumulated amortization | <u>17,960</u> | | <u>16,744</u> | |
| | <u>\$ 608</u> | | <u>\$ 1,824</u> | |

HILLEL LODGE LONG-TERM CARE FOUNDATION (OTTAWA)

NOTES TO THE FINANCIAL STATEMENTS - Cont'd.

YEAR ENDED DECEMBER 31, 2022

7. HILLEL LODGE LONG-TERM CARE HOME OF OTTAWA

The Foundation supports the Hillel Lodge Long-Term Care Home of Ottawa ("the Lodge") by raising funds to assist in its operations. The Lodge exercises economic interest over the Foundation since the Board of Directors of the Foundation includes some of the Board members of the Lodge.

The transactions with the Lodge occurred in the normal course of business and have been recorded at their exchange amounts which is the amount agreed upon by both parties.

During the year, the Foundation donated \$1,006,002 (2021 - \$752,506) to the Lodge. The make up of these donations is as follows:

| | <u>2022</u> | <u>2021</u> |
|------------|---------------------|-------------------|
| Restricted | \$ 180,614 | \$ 270,934 |
| Other | <u>825,388</u> | <u>481,572</u> |
| | <u>\$ 1,006,002</u> | <u>\$ 752,506</u> |

Amounts above includes a balance due to the Lodge at December 31, 2022 of \$305,107 (2021 - \$53,386). During the year, capital campaign pledges totaling \$50,000 were received from donors and were paid to the lodge accordingly (2021 - \$50,000). The amount owing to the Lodge is non-interest bearing and payable on demand.