

**Physically Handicapped Adults'
Rehabilitation Association -
Nipissing - Parry Sound (PHARA)
Financial Statements
For the year ended March 31, 2023**

Physically Handicapped Adults' Rehabilitation Association
- Nipissing - Parry Sound (PHARA)
Financial Statements
For the year ended March 31, 2023

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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, 2023, 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, 2023, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
North Bay, Ontario
June 26, 2023

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

March 31 **2023** **2022**

Assets

Current

Cash and cash equivalents	\$ 2,150,563	\$ 1,350,617
Short-term investments (Note 2)	831,434	879,427
Accounts receivable (Note 3)	76,262	318,868
Prepaid expenses	39,391	17,789

3,097,650 2,566,701

Restricted cash and cash equivalents - Internally Restricted	250,000	-
Restricted investments - Capital Reserve Fund (Note 6)	928,152	898,315
Capital assets (Note 4)	1,272,768	1,691,006

\$ 5,548,570 \$ 5,156,022

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 5)	\$ 2,125,398	\$ 1,541,972
Current portion of long-term debt (Note 7)	222,745	412,761

2,348,143 1,954,733

Long-term debt (Note 7)	1,050,049	1,278,271
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3,398,192 3,233,004

Net Assets

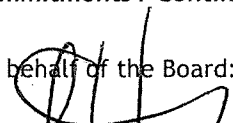
Internally Restricted	250,000	-
Capital Reserve Fund (Note 6)	928,152	898,315
Unrestricted	972,226	1,024,703

2,150,378 1,923,018


\$ 5,548,570 \$ 5,156,022

Commitments / Contingencies (Note 9)

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	2023	2022
Revenues		
Province of Ontario - Service contract revenue (Note 9)	\$ 3,408,559	\$ 3,258,009
Province of Ontario - Personal support worker training	1,311,981	105,649
Province of Ontario - Pandemic funding	19,114	273,923
DNSSAB rental subsidy (Notes 9 and 10)	936,385	964,990
Rental income	504,832	427,719
Other income	322,723	322,460
Administrative fees and other	159,986	122,380
Investment income (loss)	(8,126)	28,584
	<u>6,655,454</u>	<u>5,503,714</u>
Expenses		
Salaries and employee benefits	3,043,168	3,261,822
Program expenses	781,863	810,456
Utilities and property taxes	412,138	404,250
Materials and supplies	263,622	194,087
Transfer to capital reserve fund	97,353	93,871
Administrative overhead	60,254	64,477
Mortgage interest	33,405	45,308
Loan forgiveness (Note 4)	-	98,630
Amortization	418,237	507,602
	<u>5,110,040</u>	<u>5,480,503</u>
Excess of revenues over expenses before item below	1,545,414	23,211
Payable to Funding agencies	<u>(1,347,891)</u>	<u>(21,304)</u>
Excess of revenues over expenses for the year	\$ 197,523	\$ 1,907

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	2023	2022
Unrestricted Net Assets, beginning of year	\$ 1,024,703	\$ 1,021,968
Adjustments per review by DNSSAB (net) (Note 10)	-	828
Excess of revenues over expenses for the year	197,523	1,907
Transfer to internally restricted	<u>(250,000)</u>	-
Unrestricted Net Assets, end of year	\$ 972,226	\$ 1,024,703
Internally Restricted Net Assets, beginning of year	\$ -	\$ -
Transfer from unrestricted	<u>250,000</u>	-
Internally Restricted Net Assets, end of year	\$ 250,000	\$ -

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

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

For the year ended March 31	2023	2022
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 197,523	\$ 1,907
Items not involving cash		
Amortization of capital assets	418,237	507,602
Loan forgiveness	-	98,630
	<u>615,760</u>	<u>608,139</u>
Changes in non-cash working capital balances		
Short-term investments	47,993	(206,024)
Accounts receivable	242,606	(142,835)
Prepaid expenses	(21,602)	(1,825)
Accounts payable and accrued liabilities	583,426	112,610
Deferred revenue	-	(215,417)
	<u>1,468,183</u>	<u>154,648</u>
Investing and Financing activities		
Repayment of long-term debt	(418,237)	(507,600)
Adjustments to prior years' settlements	-	828
Transfer to internally restricted	(250,000)	-
	<u>(668,237)</u>	<u>(506,772)</u>
Increase (decrease) in cash and cash equivalents during the year	799,946	(352,124)
Cash and cash equivalents, beginning of year	<u>1,350,617</u>	<u>1,702,741</u>
Cash and cash equivalents, end of year	<u>\$ 2,150,563</u>	<u>\$ 1,350,617</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, 2023

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.

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

March 31, 2023

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 - Nipissing - Parry Sound (PHARA) Notes to Financial Statements

March 31, 2023

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 \$831,434 (2022 - \$879,427) are investments in five (2022 - five) mutual funds and are carried at their fair market value. The historical cost of these investments is \$838,223 (2022 - \$833,194).

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

March 31, 2023

3. Accounts Receivable

	2023	2022
Accounts receivable ⁽ⁱ⁾	\$ 36,740	\$ 277,102
Sales tax recoverable	39,522	41,766
	\$ 76,262	\$ 318,868

(i) Accounts receivable is net of an impairment allowance of \$Nil (2022 - \$Nil).

4. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Westwinds Apartments	\$ 4,571,412	\$ 4,571,412	\$ -	\$ 201,098
Westwinds Village	4,708,628	3,435,860	1,272,768	1,489,908
	\$ 9,280,040	\$ 8,007,272	\$ 1,272,768	\$ 1,691,006

5. Accounts Payable

	2023	2022
Accounts payable and accrued liabilities ⁽ⁱ⁾	\$ 373,680	\$ 505,306
Due to funding agencies	1,730,959	990,590
Mortgage payment accrual	20,759	46,076
	\$ 2,125,398	\$ 1,541,972

(i) Included in accounts payable and accrued liabilities is \$54,700 (2022 - \$39,972) in government remittances payable.

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

March 31, 2023

6. Reserve Funds

	2023	2022
Capital Reserve Fund	\$ 928,152	\$ 898,315

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 \$256,087 (2022 - \$259,911) and \$485,694 (2022 - \$523,263) respectively, totaling \$741,781 (2022 - \$783,174). This entire amount, \$741,781 (2022 - \$783,174), is restricted for capital reserves. The historical cost of these investments at year end was \$797,480 (2022 - \$787,103) and the investments are reported at fair value. In addition, the capital reserve fund includes cash in the amount of \$186,371 (2022 - \$114,547).

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

March 31, 2023

7. Long-term Debt

	2023	2022
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.	\$ 1,272,794	\$ 1,489,934
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, matured December 2022.	-	201,098
	1,272,794	1,691,032
Less: current portion	222,745	412,761
	\$ 1,050,049	\$ 1,278,271

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

2024		\$ 222,745
2025		227,741
2026		232,848
2027		238,070
2028		243,410
Thereafter		107,980
		\$ 1,272,794

8. 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 (2022 - \$Nil) of this facility. Interest is charged on this loan at prime plus 0.50%.

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

March 31, 2023

9. 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.

10. DNSSAB Housing Subsidy

The organization receives a monthly housing subsidy, currently at \$78,032 (2022 - \$80,416) 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.

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

March 31, 2023

11. 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.