

Financial Statements

**The City of Toronto**  
**Homes for the Aged Residents' Interest Trust Fund**  
December 31, 2007

## AUDITORS' REPORT

To the Members of the Advisory Committee on Homes for the Aged for  
**The City of Toronto**  
**Homes for the Aged Residents' Interest Trust Fund**

We have audited the balance sheet of **The City of Toronto Homes for the Aged Residents' Interest Trust Fund** as at December 31, 2007 and the statement of operations and changes in fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,  
March 12, 2008.

Chartered Accountants  
Licensed Public Accountants

# **The City of Toronto Homes for the Aged Residents' Interest Trust Fund**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **1. STATUS AND NATURE OF ACTIVITIES**

Prior to 1982, interest earned on Homes for the Aged residents' trust funds was credited to residents based on an estimate of the rate of interest expected in the forthcoming year. Due to the fact that interest earned was usually in excess of the amounts credited to the residents, an accumulated surplus of approximately \$2,300,000 had been earned up to December 31, 1982.

By an amendment to the Municipality of Metropolitan Toronto Act, this accumulated surplus was vested in the Municipality [now the City of Toronto] to administer the funds on behalf of the residents of the Homes for the Aged. The surplus and interest earned thereon is to be used for the general benefit of the residents of the City of Toronto Homes for the Aged. No expenditure is to be made for the ordinary operation and maintenance of the Homes for the Aged. The residents' interest trust fund is included in the cash and other investments administered by the City of Toronto for the Homes for the Aged residents.

The City of Toronto Homes for the Aged Residents' Interest Trust Fund [the "Fund"] is not subject to income taxes under Section 149(1) of the Income Tax Act (Canada).

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

#### **Revenue and expense recognition**

Revenue is recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Expenses are recorded when incurred.

#### **Investments and interest income**

Investments are valued based on cost plus accrued income, which approximates fair value.

Transactions are recorded on a trade date basis. Transaction costs are expense as incurred.

Investment income includes interest and realized and unrealized gains and losses. Investment income related to operations is accounted for in the statement of operations.

# The City of Toronto Homes for the Aged Residents' Interest Trust Fund

## NOTES TO FINANCIAL STATEMENTS

December 31, 2007

### Capital assets

The Fund makes capital asset purchases for the general benefit of the residents of the Homes for the Aged and the title for these assets is held by the City of Toronto Homes for the Aged.

### New and future accounting policy changes

Effective January 1, 2007, the Fund adopted the recommendations of CICA 3855: *Financial Instruments – Recognition and Measurement* and CICA 3861: *Financial Instruments – Disclosure and Presentation*. CICA 3855 establishes standards for recognizing and measuring financial instruments including the accounting treatment for changes in fair value. As permitted by CICA 3855, the Fund's financial assets and liabilities continue to be presented at amortized cost, which approximates fair value.

As required by the transitional provisions of CICA 3855, the change in accounting policy was adopted retroactively, without restatement of the prior year's financial statements. The adoption of these recommendations did not have an impact on the financial statements in the prior or current year.

The CICA has issued two new standards, CICA 3862: *Financial Instruments – Disclosures* and CICA 3863: *Financial Instruments – Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has issued a new accounting standard CICA 1535: *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

The above three changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

### 3. INVESTMENTS

Investments consist of cash and short-term bank notes held on deposit with the City of Toronto Homes for the Aged.

### 4. CAPITAL ASSETS PURCHASED FOR HOMES FOR THE AGED

There were no capital assets purchased for Homes for the Aged in 2007 or 2006.

# **The City of Toronto Homes for the Aged Residents' Interest Trust Fund**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2007

### **5. STATEMENT OF CASH FLOWS**

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

### **6. FINANCIAL INSTRUMENTS**

The Fund is subject to market risk and interest rate price risk with respect to its investment portfolio. To manage these risks, the Fund has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.