

East Nipissing District Home for the Aged
Non-consolidated Financial Statements
For the year ended December 31, 2019

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Non-consolidated Financial Statements
For the year ended December 31, 2019

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Independent Auditor's Report

To the Board of Directors of East Nipissing District Home for the Aged

Opinion

We have audited the non-consolidated financial statements of East Nipissing District Home for the Aged, which comprise the non-consolidated financial position as at December 31, 2019, the non-consolidated statements of operations, non-consolidated changes in net assets and non-consolidated cash flows for the year then ended, and notes to the non-consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the non-consolidated financial position of East Nipissing District Home for the Aged as at December 31, 2019, and its non-consolidated results of operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

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 Non-consolidated Financial Statements section of our report. We are independent of East Nipissing District Home for the Aged in accordance with the ethical requirements that are relevant to our audit of the non-consolidated 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.

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

Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with Canadian public sector accounting standards with the basis of accounting described in Note 1, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-consolidated financial statements, management is responsible for assessing East Nipissing District Home for the Aged'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 East Nipissing District Home for the Aged or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing East Nipissing District Home for the Aged's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-consolidated 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 non-consolidated 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 non-consolidated 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 East Nipissing District Home for the Aged'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 East Nipissing District Home for the Aged'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 non-consolidated 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 East Nipissing District Home for the Aged to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated 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
May 28, 2020

East Nipissing District Home for the Aged

Non-consolidated Statement of Financial Position

December 31	2019	2018
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Assets

Current

Cash and cash equivalents	\$ 2,038,270	\$ 2,750,152
Accounts receivable (net of allowance of \$224,421) (Note 5)	619,414	354,410
Prepaid expenses	4,325	22,610
	2,662,009	3,127,172

Capital assets (Note 2)

	3,850,574	3,225,273
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	\$ 6,512,583	\$ 6,352,445
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Liabilities and Net Assets

Current

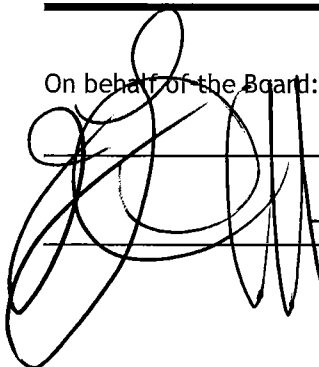


Accounts payable and accrued liabilities	\$ 1,514,337	\$ 1,399,707
Employee future benefits (Note 4)	420,036	400,373
	1,934,373	1,800,080

Net Assets

Unrestricted fund	627,636	1,227,092
Internally restricted	100,000	100,000
Internally restricted - invested in capital assets	3,850,574	3,225,273
	4,578,210	4,552,365

	\$ 6,512,583	\$ 6,352,445
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On behalf of the Board:

	<div style="text-align: right;">Director </div>
	<div style="text-align: right;">Director</div>

East Nipissing District Home for the Aged Non-consolidated Statement of Operations

For the year ended December 31	2019 Budget	2019 Actual	2018 Actual
Revenues			
Province of Ontario grants			
- Home	\$ 11,998,157	\$12,247,756	\$ 11,768,379
- Community Support Services	-	2,011,682	2,064,069
Residents	4,696,550	4,670,765	4,647,192
Municipal levies	3,280,205	3,215,887	3,215,886
Catering	-	121,689	106,933
Management fee (Note 5)	112,800	112,800	104,619
Tuck shop	-	52,259	53,775
Other	-	145,120	146,602
	<u>20,087,712</u>	<u>22,577,958</u>	<u>22,107,455</u>
Expenses			
Residents' medical and nursing	11,499,312	11,321,767	11,147,694
Dietary	2,848,432	2,793,997	2,740,641
Community Support Services program	-	2,190,158	2,140,461
General and administrative	1,577,428	1,650,359	1,385,147
Building and property	1,366,947	1,397,447	1,103,767
Housekeeping	1,332,558	1,251,378	1,334,302
Residents' social services, activities and comforts	882,252	991,058	1,063,407
Laundry and linen	580,783	464,190	466,054
Behavioural Supports Ontario	-	312,115	290,368
Catering	-	107,756	97,107
Tuck shop	-	46,460	45,459
Bad debts	-	25,428	27,555
	<u>20,087,712</u>	<u>22,552,113</u>	<u>21,841,962</u>
Excess of revenues over expenses for the year	\$ -	\$ 25,845	\$ 265,493

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

East Nipissing District Home for the Aged
Non-consolidated Statement of Changes in Net Assets

For the year ended December 31				2019	2018
	Invested in capital assets (Note 2)	Internally Restricted fund	Unrestricted fund	Total	Total
Balance, beginning of year	\$ 3,225,273	\$ 100,000	\$ 1,227,092	\$ 4,552,365	\$ 4,286,872
Excess of revenues over expenses for the year	-	-	25,845	25,845	265,493
Transfer	625,301	-	(625,301)	-	-
Balance, end of year	\$ 3,850,574	\$ 100,000	\$ 627,636	\$ 4,578,210	\$ 4,552,365

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

East Nipissing District Home for the Aged Non-consolidated Statement of Cash Flows

For the year ended December 31	2019	2018
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 25,845	\$ 265,493
Items not involving cash		
Amortization of capital assets	7,360	-
	<u>33,205</u>	<u>265,493</u>
Changes in non-cash working capital balances		
Short-term investments	-	48,127
Accounts receivable	(265,004)	46,256
Prepaid expenses	18,285	(6,817)
Accounts payable and accrued liabilities	114,630	(370,598)
Employee future benefits	19,663	16,277
	<u>(79,221)</u>	<u>(1,262)</u>
Investing activities		
Increase in assets under construction	(404,710)	(159,627)
Purchase of furniture and equipment	(227,951)	-
	<u>(632,661)</u>	<u>(159,627)</u>
Decrease in cash and cash equivalents during the year	(711,882)	(160,889)
Cash and cash equivalents, beginning of year	2,750,152	2,911,041
Cash and cash equivalents, end of year	\$ 2,038,270	\$ 2,750,152

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

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies

Nature of Organization	The East Nipissing District Home for the Aged (the "Home") is a non-profit organization incorporated in the Province of Ontario under the Homes for the Aged and Rest Homes Act and provides accommodation, activity programs and medical services for elderly from participating municipalities. The Home is exempt from income taxes under the Income Tax Act.
Participating Municipalities	<p>The participating municipalities are:</p> <ul style="list-style-type: none">The Corporation of the City of North BayTownship of CalvinTownship of BonfieldTownship of ChisholmTownship of South AlgonquinTown of MattawaTownship of East FerrisTownship of MattawanTownship of Papineau-Cameron
Basis of Accounting	The non-consolidated financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations including the PS4200 series of standards, as issued by the Public Sector Accounting Board.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Capital Assets and Capital Grants

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes amounts that are directly related to the acquisition, construction, development, or betterment of the tangible capital assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition, construction or development of the asset.

Amortization is provided for on a straight-line basis over the estimated useful lives of the tangible capital assets as follows:

Machinery and equipment	10 years
Furniture and fixtures	10 years

Assets under construction are capitalized as expenditures are incurred and no amortization is recorded until assets are ready for use.

Revenue Recognition

The Home 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 received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Residents, catering, tuck shop and interest revenue is recognized when earned, and collection is reasonably assured.

Municipal levies are recognized as revenue in the period they are levied.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Pension Plans

The Home is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Home has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. The Home records as pension expense the current service cost, amortization of past service costs and interest costs related to the future employer contributions to the Plan for past employee service.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank balances and guaranteed investment certificates with a duration of less than three months from the date of acquisition.

East Nipissing District Home for the Aged

Notes to Non-consolidated Financial Statements

December 31, 2019

1. Summary of Significant Accounting Policies (continued)

Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable and accounts payable are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Use of Estimates

The preparation of the non-consolidated financial statements in conformity with Canadian generally accepted accounting principles 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 non-consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Accounts receivable are reported based on amounts expected to be recovered and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Actual results could differ from those estimates.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

2. Capital Assets

			2019	2018
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 966,801	\$ 966,801	\$ -	\$ -
Buildings	11,875,233	11,875,233	-	-
Machinery and equipment	565,292	431,214	134,078	-
Furniture and fixtures	109,831	109,831	-	-
Assets under construction (i)	3,716,496	-	3,716,496	3,225,273
	<u>\$17,233,653</u>	<u>\$13,383,079</u>	<u>\$ 3,850,574</u>	<u>\$ 3,225,273</u>

- (i) The Home is in the initial stages of planning the redevelopment of the building. The existing facility will undergo a major transformation to include modern design standards. The project will consist of two phases of construction with an undetermined start and occupancy date. To date, the Home has spent \$3,629,983 for initial planning and architect fees which is included in capital assets. The preliminary budget for the 240 bed redevelopment is estimated at \$72 million.

3. Credit Facilities

The Home has an authorized credit limit of \$750,000. The line of credit is unsecured and bears interest at the bank's prime rate less 0.5%. At year end, the line of credit was unused.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

4. Employee Future Benefits

Employee future benefits consist of accumulated unused sick leave for certain employee groups.

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment on retirement.

Employees in a specific union are credited with 144 hours per year for use as paid absences in the year, due to illness or injury. Employees are allowed to accumulate unused sick day credits each year, up to a maximum of 2,400 hours. Accumulated credits may be used in future years if the employee's illness or injury exceeds the annual allocation of credits. Hours accumulated must be paid upon employee retirement when the employee has 7 years of service to the Home.

5. Related Party Transactions

The Home receives management fees of \$107,800 (2018 - \$104,619) from a controlled non-profit organization, Castle Arms Non-Profit Apartment Corporation ("Castle Arms"). Included in accounts receivable at year end is \$5,000 (2018 - \$58,637) receivable from Castle Arms.

During the year the Home donated a parcel of land to Castle Arms for a nominal amount of \$2. Management deems the fair market value of the parcel to be indeterminable.

These transactions are in the normal course of operations and are measured at the exchange value, being the amount of consideration established and agreed to by the related parties.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

6. Pension Plans

The Home makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of full-time members of staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 482,000 active and retired members and approximately 1,000 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2019. The results of this valuation disclosed total going concern actuarial liabilities of \$107,687 million in respect of benefits accrued for service with actuarial assets at that date of \$104,290 million indicating a going concern actuarial deficit of \$3,397 million. Because OMERS is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Home does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Home to OMERS for the year were \$999,335 (2018 - \$996,494)

The Home makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer pension plan, on behalf of members of staff. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. The Administration Corporation Board of Directors, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. OMERS provides pension services to more than 390,000 active and retired members and approximately 921 employers.

Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the plan was conducted at December 31, 2009 disclosed an actuarial deficit of \$1,519 million. Because OMERS is a multi-employer plan, any pension plan surplus or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Home does not recognize any share of the OMERS pension surplus or deficit. Contributions made by the Home to OMERS for 2009 were \$999,335 (2018 - \$996,494).

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

7. Financial Instrument Risk

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 Home is exposed to credit risk through its cash and cash equivalents and accounts receivable. The Home maintains cash and cash equivalents with its financial institution in excess of federally insured limits and is therefore exposed to risk from the concentration of cash and cash equivalents.

The Home measures its exposure to credit risk based on the amount of cash and cash equivalents held at financial institutions over the federally insured amount, and the balance of long outstanding accounts receivables.

The Home's maximum exposure to credit risk at the financial statement date is the carrying value of its cash and cash receivable and accounts receivable as presented on the statement of financial position.

There have not been any changes from the prior year in the Home's exposure to credit risk or the policies, procedures and methods it uses to manage and measure the risk.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

8. Non-consolidated Controlled Not-for-Profit Organizations

a. Castle Arms Non Profit Corporation

The Board of Directors of the Home controls Castle Arms as the Board of Directors of the Home has majority representation on the Board of Directors of Castle Arms. Castle Arms is incorporated without share capital under the laws of the Province of Ontario as a non-profit organization and its primary purpose is to provide housing to senior citizens on a rent-geared-to-income basis.

Castle Arms has not been consolidated in the Home's non-consolidated financial statements. Financial statements for Castle Arms are available on request. A summary of the financial statements of this unconsolidated entity as at December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Assets	\$14,506,977	\$ 15,169,474
Liabilities	<u>12,624,350</u>	<u>13,431,083</u>
Net Assets	<u>\$ 1,882,627</u>	<u>\$ 1,738,391</u>
Revenues	\$ 3,037,630	\$ 3,026,387
Expenses	<u>3,070,819</u>	<u>2,951,563</u>
(Deficiency) excess of revenues over expenses	<u>\$ (33,189)</u>	<u>\$ 74,824</u>
Cash flow provided by (used for):		
Operating activities	\$ 607,802	\$ 741,656
Financing and investing activities	<u>(678,888)</u>	<u>(648,153)</u>
	<u>\$ (71,086)</u>	<u>\$ 93,503</u>

Restrictions on the resources of Castle Arms are as follows:

Under the terms of an agreement with the Ministry of Municipal Affairs and Housing, a capital reserve fund in the amount of \$1,236,645 (2018 - \$1,059,220) is maintained to finance approved capital replacements.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

8. Non-consolidated Controlled Not-for-Profit Organizations (continued)

b. Board of Management of Cassellholme, Home for the Aged for the District of Nipissing

The Home is the beneficial owner of the net assets of the Board of Management of Cassellholme, Home for the Aged for the District of East Nipissing, a registered charity.

The net assets and results of operations of the Board of Management have not been consolidated in the Home's non-consolidated financial statements. A summary of the most recently available financial statements for this unconsolidated entity as at December 31 is as follows:

	<u>2019</u>	<u>2018</u>
Assets	\$ 151,082	\$ 168,508
Liabilities	<u>22,229</u>	<u>41,331</u>
Net Assets	<u>\$ 128,853</u>	<u>\$ 127,177</u>
Revenues	\$ 28,613	\$ 38,863
Expenses	<u>6,505</u>	<u>77,639</u>
Excess (deficiency) of revenues over expenses	<u>\$ 22,108</u>	<u>\$ (38,776)</u>

9. Economic Dependence

The Home is economically dependent upon the Ministry of Health and Long-Term Care, as 63% of its revenue originates from this source (2018 - 63%).

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

10. Subsequent Event

Subsequent to year end, the impact of COVID-19 in Canada and on the global economy increased significantly. The exact impact of COVID-19 on revenues for the Home is not fully known at this time. Based on correspondence from the Ministry of Long-Term Care (the Ministry), it is anticipated that the Province will contribute the necessary funding to offset incremental expenses relating to COVID-19. These expenses included incremental staffing costs, pandemic pay premiums, and supplies and equipment as needed in accordance with infection prevention and control best practices. \$135,000 in funding has already been received by the home as of May 1st, 2020 related to these incremental expenses. There could be added expenses to the Home if the total funding received does not cover these aforementioned incremental expenses, however, a shortfall is not currently anticipated. Residents in Long-Term Care homes living in basic accommodation have a rent reduction program at their disposal, which ensures that all residents pay their monthly accommodation charges based on their annual income. Any portion of accommodation charges relating to preferred (private) accommodation would not fall under this rent reduction program. The Ministry has confirmed that any preferred accommodation costs lost due to COVID-19 will be reimbursed to the Home. The Ministry has also confirmed that for the period January 1st to December 31st, 2020, the Home will be funded based on full occupancy, rather than on a prorated basis, equal to actual occupancy for the year. Proration of provincial funding, under normal circumstances, occurs if a Home drops below a calculated occupancy threshold. This threshold would have applied due to the reduction in admissions to the Home due to COVID-19, had the Ministry not updated their occupancy adjustment policy.

As the impacts of COVID-19 continue, there could be further impact on its residents, employees, suppliers and other third party funders that could impact the timing and amounts realized on the Home's assets and future ability to deliver services. At this time, the full potential impact of COVID-19 on the Home is not known.

East Nipissing District Home for the Aged Notes to Non-consolidated Financial Statements

December 31, 2019

11. Change in Accounting Policy

- (i) Effective January 1, 2019 the Home changed its accounting policy for the treatment of tangible capital assets. Previously the Home expensed capital assets to operations rather than capitalizing them. Historically only capital assets purchased from proceeds of debenture debt were capitalized and amortized at a rate equal to the annual principal repayment on the debenture. Now the Home capitalizes and amortizes capital assets over their estimated useful life. As a result of the adoption, the presentation of the financial statements changed from the prior year. This change in accounting policy has been applied prospectively.

This change in accounting policy had the following effect on the financial statements.

	<u>2019</u>
Increase in machinery and equipment	\$ 220,591
Increase in amortization expense	\$ 7,360
Decrease in expenses	\$ 227,951