Hospice of Waterloo Region
Financial Statements
For the year ended March 31, 2014

Contents

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Independent Auditor's Report

To the Board of Directors of
Hospice of Waterloo Region

We have audited the accompanying financial statements of Hospice of Waterloo Region, which comprise the balance sheet as at March 31, 2014 and the statements of operations, changes in fund balances and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenue from fundraising activities and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. We were not able to determine whether any adjustments might be necessary to these revenues, deficiency of revenues over expenditures, current assets and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Hospice of Waterloo Region as at March 31, 2014 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.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Waterloo, Ontario
June 11, 2014

Hospice of Waterloo Region
Balance Sheet

March 31			2014	2013
	Operating	Capital	Total	Total
Assets				
Current				
Cash (Note 2)	$ 161,560	$ 29,471	$ 191,031	$ 76,470
Short-term investments (Note 3)	320,752	311,234	631,986	528,131
Accounts receivable (Note 4)	17,100	-	17,100	38,428
Prepaid expenses	9,473	-	9,473	9,267
Due from operating fund (Note 5)	-	2,094	2,094	106,466
	508,885	342,799	851,684	758,762
Property, plant and equipment (Note 6)	-	1,568,511	1,568,511	1,619,960
	$ 508,885	$ 1,911,310	$ 2,420,195	$ 2,378,722
Liabilities and Fund Balances				
Current				
Accounts payable and accrued liabilities	$ 107,294	$ -	$ 107,294	$ 46,965
Deferred operating contributions (Note 7)	179,697	-	179,697	37,680
Due to capital fund (Note 5)	2,094	-	2,094	106,466
	289,085	-	289,085	191,111
Fund balances				
Internally restricted	-	1,568,511	1,568,511	1,619,960
Externally restricted	-	342,799	342,799	341,496
Unrestricted	219,800	-	219,800	226,155
	219,800	1,911,310	2,131,110	2,187,611
	$ 508,885	$ 1,911,310	$ 2,420,195	$ 2,378,722

On behalf of the Board: June 25/14 President June 25/14 Treasurer

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

Hospice of Waterloo Region
Statement of Changes in Fund Balances

For the year ended March 31			2014	2013
	Operating	Capital	Total	Total
Fund balances, beginning of the year	$ 226,155	$1,961,456	$2,187,611	$ 2,245,891
Excess (deficiency) of revenue over expenditures for the year	9,988	(66,489)	(56,501)	(58,280)
Interfund transfers (Note 5)	(16,343)	16,343	-	-
Fund balances, end of the year	$ 219,800	$1,911,310	$2,131,110	$ 2,187,611

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

Hospice of Waterloo Region
Statement of Operations

For the year ended March 31			2014	2013
	Operating	Capital	Total	Total
Revenue				
WWLHIN (Note 9)	$ 630,711	$ -	$ 630,711	$ 390,998
Donations and fundraising	182,124	-	182,124	151,812
Ministry of Health Education Funding (Note 9)	69,416	-	69,416	52,416
Grants	102,790	8,466	111,256	42,252
Workshops	3,100	-	3,100	1,110
Interest	4,704	1,303	6,007	1,542
	992,845	9,769	1,002,614	640,130
Expenses				
Advertising, promotion, printing, fundraising	26,830	-	26,830	21,021
Amortization	-	76,258	76,258	74,795
Bank charges	4,005	-	4,005	2,349
Computer and other equipment leases and costs	29,622	-	29,622	8,524
Fundraising	7,517	-	7,517	400
Insurance and professional fees	28,482	-	28,482	55,015
Ministry of Health Education	69,416	-	69,416	52,416
Memberships	2,326	-	2,326	2,630
Office	11,747	-	11,747	9,595
Postage and telephone	12,550	-	12,550	10,196
Program costs (Note 11)	106,448	-	106,448	31,249
Property taxes, maintenance and utilities	45,988	-	45,988	20,803
Salaries and benefits	593,575	-	593,575	386,589
Staff education	27,707	-	27,707	10,317
Travel reimbursements	16,644	-	16,644	12,511
	982,857	76,258	1,059,115	698,410
Excess (deficiency) of revenue over expenditures for the year	$ 9,988	$ (66,489)	$ (56,501)	$ (58,280)

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

Hospice of Waterloo Region
Statement of Cash Flows

For the year ended March 31	2014	2013
Cash flows from operating activities		
Deficiency of revenue over expenses for the year	$ (56,501)	$ (58,280)
Item not involving cash		
Amortization of property, plant and equipment	76,258	74,795
	19,757	16,515
Changes in non-cash working capital balances		
Accounts receivable	21,328	25,650
Prepaid expenses	(206)	49
Accounts payable and accrued liabilities	60,329	(21,947)
Deferred operating contributions	142,017	31,790
Due to Ministry of Health	-	(21,933)
	243,225	30,124
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,809)	(19,289)
RST rebate received on property, plant and equipment	-	22,917
Purchase of short-term investments	(103,855)	(426,279)
	(128,664)	(422,651)
Increase (decrease) in cash during the year	114,561	(392,527)
Cash, beginning of year	76,470	468,997
Cash, end of year	$ 191,031	$ 76,470

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

1. Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).

Nature of Operations

The organization is a registered charity incorporated without capital under the laws of Ontario and is dedicated to providing comfort, care and support to people affected by a life-threatening illness.

Fund Accounting

The Operating Fund reports the assets, liabilities, revenues and expenses related to the services provided to people and families affected by a life-threatening illness.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the purchase and use of property, plant and equipment.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	-	4 % diminishing balance basis
Furniture and equipment	-	20 % diminishing balance basis
Office equipment	-	25 % diminishing balance basis
Computer equipment	-	40 - 55% diminishing balance basis
Signage	-	20 % diminishing balance basis
Landscaping	-	10 % diminishing balance basis

One half of the amortization is provided in the year of acquisition and no amortization is provided in the year of disposal.

Use of Estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for items such as useful life of properly, plant and equipment and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Significant Accounting Policies (continued)

Income Tax

The organization is exempt from income tax under section 149 of the Income Tax Act.

Revenue Recognition

The organization uses the restricted fund method of accounting for contributions.

Funding is received from the Waterloo Wellington Local Health Integration Network (WWLHIN). Annual Reconciliation Reports are submitted to the WWLHIN by the organization for final approval. Assessments of prior funding may occur based on funder decisions. The effect of these adjustments, which cannot be quantified at the time of preparing the financial statements, will be recorded in the year of assessment.

Contributions received related to the capital fund are recognized as revenue in the fund when received.

Contributions of the operating fund that are restricted for activities or fundraising events taking place in the following year are deferred until the activity or event is completed and the related expenses are incurred.

Unrestricted contributions of the operating fund are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Contributed Materials and Services

Volunteers contribute many hours per year to assist the organization in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements. Contributed materials are not recognized in the financial statements unless they would normally be purchased by the organization and their fair market value can be ascertained.

March 31, 2014

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. 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 charged to expense for those items remeasured at fair value at each balance sheet date and charged to the financial instrument for those measured at amortized cost.

Impairment of Long-Lived Assets

In the event that facts and circumstances indicate that the organization's long-lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The organization considers that no circumstances exist that would require such an evaluation.

Leases

Lease agreements that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of a property, plant and equipment and the incurrence of an obligation. The asset is amortized in a manner consistent with property, plant and equipment owned by the organization, and the obligation, including interest thereon, is amortized over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed on incurred.

2. Cash

The organization's bank accounts are held at one chartered bank and earn a nominal amount of interest.

3. Short-term Investments

	2014	2013
Operating Fund		
0.80% Cashable GIC, maturing January 2015	$ 220,752	$ 325,000
0.80% Cashable GIC, maturing February 2015	100,000	-
	$ 320,752	$ 325,000
Capital Fund		
0.80% Cashable GIC, maturing January 2015	$ 100,800	$ 100,000
0.80% Cashable GIC, maturing July 2014	106,000	-
0.75% Manulife Investment Savings Account	104,434	103,131
	$ 311,234	$ 203,131

4. Accounts Receivable

	2014	2013
Trade	$ 2,960	$ 22,114
HST Receivable	14,140	16,314
	$ 17,100	$ 38,428

5. Interfund Balances and Transfers

Amounts owing are non-interest bearing and have no terms of repayment.

During the year, the Board of Directors authorized the transfer of funds in the amount of $16,343 from the Operating Fund to the Capital Fund. This transfer is shown as interfund transfers on the Statement of Changes in Net Assets.

6. Property, Plant and Equipment

	2014		2013	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 232,500	$ -	$ 232,500	$ -
Building	1,459,743	212,815	1,459,743	160,860
Furniture and equipment	147,268	89,436	147,268	74,980
Office equipment	14,844	12,606	14,844	11,860
Computer equipment	78,060	59,393	53,252	51,851
Signage	6,391	3,445	6,391	2,709
Landscaping	9,617	2,217	9,617	1,395
	$ 1,948,423	$ 379,912	$ 1,923,615	$ 303,655
Net book value		$ 1,568,511		$ 1,619,960

7. Deferred Operating Contributions

	2014	2013
Balance, beginning of year	$ 37,680	$ 5,890
Funding received during the year	241,883	78,070
Amounts recognized as revenue during the year	(99,866)	(46,280)
Balance, end of year	$ 179,697	$ 37,680

8. Commitments

The organization has entered into operating leases for its mail machine and photocopier expiring on January 2018 and May 2017 respectively.

The minimum annual lease payments for the next four years are as follows:

2015	$	1,760
2016		1,760
2017		1,760
2018		858
	$	6,138

9. Economic Dependence

The organization is economically dependent upon the WWLHIN. This source represents 75% of revenue for the year ended March 31, 2014.

10. Kitchener and Waterloo Community Foundation

The organization has certain internally restricted endowment assets which are held in trust at the Kitchener and Waterloo Community Foundation (KWCF). These assets are long-term investments held in a variety of common and preferred stocks, bonds, GIC's and money market funds. The income component is comprised of interest and dividends earned on the capital investment and is available for distribution in the form of grants.

The organization has access to any income and growth on the investments but the original capital contribution is restricted and held at KWCF.

Should KWCF cease to exist, the organization would be entitled to receive the appropriate proportionate share of the market value of the investments of KWCF represented by the fund.

		2014		2013
Internally restricted endowment fund	$	**13,574**	$	11,497
Income earned during the year	$	**1,877**	$	1,125

11. **WWLHIN**

During the year, the organization received funding of $16,388 for reimbursement of expenses for the the cost of running educational courses. These funds have been charged as a reduction the associated expenses.

12. **Financial Instrument Risks**

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. Financial instruments which potentially subject the organization to concentrations of credit risk consist of cash, short-term investments and accounts receivable. The organization has deposited the cash and short-term investments with reputable financial institutions, from which management believes the risk of loss to be remote. The credit risk on accounts receivable arises from organizations in a similar not-for-profit sector. There have been no changes to the organization's credit risk exposure from the prior year.

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. The exposure to liquidity risk is unchanged from the prior year.

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. The exposure to interest rate risk is unchanged from the prior year.