

**Hospice of Waterloo Region  
Financial Statements  
For the year ended March 31, 2015**

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## Independent Auditor's Report

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### 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, 2015 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, 2015 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 Professional Accountants, Licensed Public Accountants

Waterloo, Ontario  
June 10, 2015

# Hospice of Waterloo Region Balance Sheet

March 31

2015

2014

	Operating	Capital	Total
<b>Assets</b>			
<b>Current</b>			
Cash (Note 2)	\$ 214,095	\$ 11,330	\$ 225,425
Short-term investments (Note 3)	323,318	238,576	561,894
Accounts receivable (Note 4)	47,413	-	47,413
Prepaid expenses	9,790	-	9,790
Due from operating fund (Note 5)	-	9,431	9,431
	594,616	259,337	853,953
<b>Property, plant and equipment (Note 6)</b>	-	1,596,557	1,596,557
	\$ 594,616	\$ 1,855,894	\$ 2,450,510

## Liabilities and Fund Balances

<b>Current</b>			
Accounts payable and accrued liabilities (Note 7)	\$ 230,336	\$ -	\$ 230,336
Deferred operating contributions (Note 8)	170,248	-	170,248
Due to capital fund (Note 5)	9,431	-	9,431
	410,015	-	410,015
<b>Fund balances</b>			
Internally restricted for property, plant and equipment	-	1,596,557	1,596,557
Externally restricted	-	259,337	259,337
Unrestricted	184,601	-	184,601
	184,601	1,855,894	2,040,495
	\$ 594,616	\$ 1,855,894	\$ 2,450,510

On behalf of the Board: Gayle Sadler President

Micenna Krawitz Treasurer

*June 30/15*

*July 6/15*

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	2015		2014	
	Operating	Capital	Total	Total
Fund balances, beginning of the year	\$ 219,800	\$1,911,310	\$2,131,110	\$ 2,187,611
Deficiency of revenue over expenditures for the year	<u>(35,199)</u>	<u>(55,416)</u>	<u>(90,615)</u>	<u>(56,501)</u>
Fund balances, end of the year	<b>\$ 184,601</b>	<b>\$1,855,894</b>	<b>\$2,040,495</b>	<b>\$ 2,131,110</b>

## Hospice of Waterloo Region Statement of Operations

For the year ended March 31 2015 2014

	Operating	Capital	Total	Total
<b>Revenue</b>				
WWLHIN (Note 9)	\$ 854,870	\$ 28,883	\$ 883,753	\$ 630,711
Donations and fundraising	209,870	1,400	211,270	176,710
Ministry of Health Education Funding (Note 9)	87,002	-	87,002	69,416
Grants	35,000	-	35,000	111,256
Workshops	1,840	-	1,840	3,100
Interest and other	91,577	1,288	92,865	11,421
	<b>1,280,159</b>	<b>31,571</b>	<b>1,311,730</b>	<b>1,002,614</b>
<b>Expenses</b>				
Advertising, promotion, and printing	32,135	-	32,135	26,830
Amortization	-	86,987	86,987	76,258
Bank charges	2,770	-	2,770	4,005
Computer and other equipment leases and costs	27,963	-	27,963	29,622
Fundraising	8,390	-	8,390	7,517
Insurance and professional fees	30,579	-	30,579	28,482
Ministry of Health Education	87,002	-	87,002	69,416
Memberships	3,758	-	3,758	2,326
Office	21,141	-	21,141	11,747
Postage and telephone	16,267	-	16,267	12,550
Program costs (Note 12)	108,548	-	108,548	106,448
Property taxes, maintenance and utilities	42,988	-	42,988	45,988
Salaries and benefits	853,864	-	853,864	593,575
Staff education	17,540	-	17,540	27,707
Travel reimbursements	21,542	-	21,542	16,644
	<b>1,274,487</b>	<b>86,987</b>	<b>1,361,474</b>	<b>1,059,115</b>
<b>Surplus (deficiency) of revenue over expenditures for the year</b>	<b>5,672</b>	<b>(55,416)</b>	<b>(49,744)</b>	<b>(56,501)</b>
<b>One-time funding repayable to WWLHIN</b>	<b>(40,871)</b>	<b>-</b>	<b>(40,871)</b>	<b>-</b>
<b>Deficiency of revenue over expenditures for the year</b>	<b>\$ (35,199)</b>	<b>\$ (55,416)</b>	<b>\$ (90,615)</b>	<b>\$ (56,501)</b>

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	2015	2014
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenses for the year Item not involving cash	\$ (90,615)	\$ (56,501)
Amortization of property, plant and equipment	<u>86,987</u>	<u>76,258</u>
	(3,628)	19,757
Changes in non-cash working capital balances		
Accounts receivable	(30,313)	21,328
Prepaid expenses	(317)	(206)
Accounts payable and accrued liabilities	123,042	60,329
Deferred operating contributions	<u>(9,449)</u>	<u>142,017</u>
	<u>79,335</u>	<u>243,225</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(115,033)	(24,809)
Purchase of short-term investments	-	(103,855)
Proceeds on sale of short-term investments	<u>70,092</u>	<u>-</u>
	<u>(44,941)</u>	<u>(128,664)</u>
<b>Increase in cash during the year</b>	<b>34,394</b>	<b>114,561</b>
<b>Cash, beginning of year</b>	<u><b>191,031</b></u>	<u><b>76,470</b></u>
<b>Cash, end of year</b>	<u><b>\$ 225,425</b></u>	<u><b>\$ 191,031</b></u>

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# Hospice of Waterloo Region Notes to Financial Statements

March 31, 2015

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## 1. Significant Accounting Policies

<b>Basis of Accounting</b>	The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations (ASNPO).																		
<b>Nature of Operations</b>	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.																		
<b>Fund Accounting</b>	<p>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.</p> <p>The Capital Fund reports the assets, liabilities, revenues and expenses related to the purchase and use of property, plant and equipment.</p>																		
<b>Property, Plant and Equipment</b>	<p>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:</p> <table><tr><td>Building</td><td>-</td><td>4 % diminishing balance basis</td></tr><tr><td>Furniture and equipment</td><td>-</td><td>20 % diminishing balance basis</td></tr><tr><td>Office equipment</td><td>-</td><td>25 % diminishing balance basis</td></tr><tr><td>Computer equipment</td><td>-</td><td>40 - 55% diminishing balance basis</td></tr><tr><td>Signage</td><td>-</td><td>20 % diminishing balance basis</td></tr><tr><td>Landscaping</td><td>-</td><td>10 % diminishing balance basis</td></tr></table> <p>One half of the amortization is provided in the year of acquisition and no amortization is provided in the year of disposal.</p>	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
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																	
<b>Use of Estimates</b>	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 property, plant and equipment and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future.																		



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## Hospice of Waterloo Region Notes to Financial Statements

March 31, 2015

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### 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.

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## Hospice of Waterloo Region Notes to Financial Statements

March 31, 2015

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### 1. Significant Accounting Policies (continued)

<b>Financial Instruments</b>	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.
<b>Impairment of Long-Lived Assets</b>	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.
<b>Leases</b>	Lease agreements that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of 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.

## Hospice of Waterloo Region Notes to Financial Statements

March 31, 2015

### 2. Cash

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

### 3. Short-term Investments

	2015	2014
<u>Operating Fund</u>		
0.80% Cashable GIC, matured January 2015	\$ -	\$ 220,752
0.80% Cashable GIC, matured February 2015	-	100,000
0.80% Cashable GIC, maturing January 2016	222,518	-
0.70% Cashable GIC, maturing February 2016	100,800	-
	<b>\$ 323,318</b>	<b>\$ 320,752</b>
 <u>Capital Fund</u>		
0.80% Cashable GIC, matured January 2015	\$ -	\$ 100,800
0.80% Cashable GIC, matured July 2014	-	106,000
0.80% Cashable GIC, maturing January 2016	26,006	-
0.80% Cashable GIC, maturing July 2015	106,848	-
0.75% Manulife Investment Savings Account	105,722	104,434
	<b>\$ 238,576</b>	<b>\$ 311,234</b>

### 4. Accounts Receivable

	2015	2014
Funding	\$ 10,380	\$ 2,960
HST Receivable	37,033	14,140
	<b>\$ 47,413</b>	<b>\$ 17,100</b>

## Hospice of Waterloo Region Notes to Financial Statements

March 31, 2015

### 5. Due From (To) Funds

The balances due from (to) funds are unsecured, interest free, with no fixed terms of repayment.

### 6. Property, Plant and Equipment

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 232,500	\$ -	\$ 232,500	\$ -
Building	1,459,743	262,692	1,459,743	212,815
Furniture and equipment	147,268	115,155	147,268	89,436
Office equipment	22,726	-	14,844	12,606
Computer equipment	109,503	78,277	78,060	59,393
Signage	6,391	4,034	6,391	3,445
Landscaping	85,327	6,743	9,617	2,217
	<b>\$ 2,063,458</b>	<b>\$ 466,901</b>	<b>\$ 1,948,423</b>	<b>\$ 379,912</b>
Net book value		<b>\$ 1,596,557</b>		<b>\$ 1,568,511</b>

### 7. Accounts Payable and Accrued Liabilities

	2015	2014
Accounts payable	\$ 79,810	\$ 43,270
Accrued liabilities	89,748	64,024
Government remittances	19,907	-
LHIN funding repayable	40,871	-
	<b>\$ 230,336</b>	<b>\$ 107,294</b>

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**Hospice of Waterloo Region  
Notes to Financial Statements**

March 31, 2015

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**8. Deferred Operating Contributions**

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 179,697	\$ 37,680
Funding received during the year	112,833	241,883
Amounts recognized as revenue during the year	<u>(122,282)</u>	<u>(99,866)</u>
Balance, end of year	<u>\$ 170,248</u>	<u>\$ 179,697</u>

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**9. Economic Dependence**

The organization is economically dependent upon the WWLHIN. This source represents 67% (2014 - 75%) of revenue for the year ended March 31, 2015.

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**10. 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:

2016	\$ 1,760
2017	1,760
2018	<u>858</u>
	<u>\$ 4,378</u>

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## Hospice of Waterloo Region Notes to Financial Statements

March 31, 2015

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### 11. 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.

	2015	2014
Internally restricted endowment fund	\$ 14,902	\$ 13,574
Income earned during the year	\$ 1,544	\$ 1,877

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### 12. WWLHIN

During the year, the organization received funding of \$44,000 for reimbursement of expenses for the the cost of running educational courses. These funds have been charged as a reduction of the associated expenses.

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## Hospice of Waterloo Region Notes to Financial Statements

March 31, 2015

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### 13. 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.