Hospice of Waterloo Region

Financial Statements

For the year ended March 31, 2016

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For the year ended March 31, 2016

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, 2016 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.

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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, 2016 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
May 24, 2016

Hospice of Waterloo Region
Balance Sheet

March 31	Operating	Capital	2016 Total	2015 Total
Assets				
Current				
Cash (Note 2)	$ 344,663	$ 387,332	$ 731,995	$ 225,425
Short-term investments	-	-	-	561,894
Accounts receivable (Note 3)	36,151	-	36,151	47,413
Prepaid expenses	14,580	-	14,580	9,790
Due from operating fund (Note 5)	-	5,290	5,290	9,431
	395,394	392,622	788,016	853,953
Tangible capital asset (Note 6)	-	1,549,197	1,549,197	1,596,557
	$ 395,394	$ 1,941,819	$ 2,337,213	$ 2,450,510
Liabilities and Fund Balances				
Current				
Accounts payable and accrued liabilities (Note 7)	$ 172,024	$ -	$ 172,024	$ 230,336
Deferred operating contributions (Note 8)	80,469	-	80,469	170,248
Due to capital fund (Note 5)	5,290	-	5,290	9,431
	257,783	-	257,783	410,015
Fund balances				
Internally restricted for tangible capital assets	-	1,694,197	1,694,197	1,596,557
Externally restricted	-	247,622	247,622	259,337
Unrestricted	137,611	-	137,611	184,601
	137,611	1,941,819	2,079,430	2,040,495
	$ 395,394	$ 1,941,819	$ 2,337,213	$ 2,450,510

On behalf of the Board: S Sadler President [signature] Treasurer

June 27/16

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			2016	2015
	Operating	Capital	Total	Total
Fund balances, beginning of the year	$ 184,601	$1,855,894	$2,040,495	$ 2,131,110
Deficiency of revenue over expenditures for the year	(34,714)	73,649	38,935	(90,615)
Interfund transfers (Note 4)	(12,276)	12,276	-	-
Fund balances, end of the year	$ 137,611	$1,941,819	$2,079,430	$ 2,040,495

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

Hospice of Waterloo Region
Statement of Operations

For the year ended March 31			2016	2015
	Operating	Capital	Total	Total
Revenue				
WWLHIN (Note 9)	$ 1,395,652	$ -	$ 1,395,652	$ 883,753
Ministry of Health On-Call Funding (Note 9)	496,081	-	496,081	-
Donations and fundraising	278,970	145,000	423,970	211,270
Ministry of Health Education Funding (Note 9)	86,993	-	86,993	87,002
Grants	65,162	-	65,162	35,000
Workshops	-	-	-	1,840
Interest and other	43,711	32,389	76,100	92,865
	2,366,569	177,389	2,543,958	1,311,730
Expenses				
Advertising, promotion, and printing	27,310	610	27,920	32,135
Amortization	-	90,327	90,327	86,987
Bank charges	2,589	14	2,603	2,770
Computer and other equipment leases and costs	54,289	-	54,289	27,963
Fundraising	34,249	-	34,249	8,390
Insurance and professional fees	21,040	12,789	33,829	30,579
Ministry of Health Education	86,993	-	86,993	87,002
Memberships	4,492	-	4,492	3,758
Occupancy costs	75,745	-	75,745	42,988
Office	32,781	-	32,781	21,141
On-Call program costs	484,386	-	484,386	-
Postage and telephone	23,023	-	23,023	16,267
Program costs (Note 12)	291,730	-	291,730	108,548
Salaries and benefits	1,211,453	-	1,211,453	853,864
Staff education	21,369	-	21,369	17,540
Travel reimbursements	29,834	-	29,834	21,542
	2,401,283	103,740	2,505,023	1,361,474
Surplus (deficiency) of revenue over expenditures for the year	(34,714)	73,649	38,935	(49,744)
One-time funding repayable to WWLHIN	-	-	-	(40,871)
Deficiency of revenue over expenditures for the year	$ (34,714)	$ 73,649	$ 38,935	$ (90,615)

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	2016	2015
Cash flows from operating activities		
Surplus (deficiency) of revenue over expenses for the year	$ 38,935	$ (90,615)
Item not involving cash		
Amortization of tangible capital assets	90,327	86,987
	129,262	(3,628)
Changes in non-cash working capital balances		
Accounts receivable	11,262	(30,313)
Prepaid expenses	(4,790)	(317)
Accounts payable and accrued liabilities	(58,312)	123,042
Deferred operating contributions	(89,779)	(9,449)
	(12,357)	79,335
Cash flows from investing activities		
Purchase of tangible capital assets	(42,967)	(115,033)
Proceeds on sale of short-term investments	561,894	70,092
	518,927	(44,941)
Increase in cash during the year	506,570	34,394
Cash, beginning of year	225,425	191,031
Cash, end of year	$ 731,995	$ 225,425

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 tangible capital assets.

Tangible Capital Assets

Tangible capital assets 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.
When a tangible capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Any unamortized deferred contribution amount related to the tangible capital asset is recognized in revenue in the statement of operations, provided that all restrictions have been complied with.

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 tangible capital assets and measuring 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, 2016

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.

Leases

Lease agreements that transfer substantially all the benefits and risks associated with ownership are recorded as the acquisition of tangible capital assets and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets 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. Accounts Receivable

	2016	2015
Funding	$ 990	$ 10,380
HST Receivable	35,161	37,033
	$ 36,151	$ 47,413

4. Interfund Transfers

During the year, the Board of Directors authorized the transfer of funds in the amount of $12,276 from the Operating Fund to the Capital Fund. This transfer is shown as interfund transfers on the Statement of Changes in Fund Balances.

5. Due From (To) Funds

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

6. Tangible Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 232,500	$ -	$ 232,500	$ -
Building	1,459,743	310,574	1,459,743	262,692
Furniture and equipment	161,772	111,706	147,268	101,004
Office equipment	47,488	19,390	22,726	14,151
Computer equipment	113,203	96,451	109,503	78,277
Signage	6,391	4,505	6,391	4,034
Landscaping	85,327	14,601	85,327	6,743
	$ 2,106,424	$ 557,227	$ 2,063,458	$ 466,901
Net book value		$ 1,549,197		$ 1,596,557

7. Accounts Payable and Accrued Liabilities

	2016	2015
Accounts payable	$ 26,370	$ 79,810
Accrued liabilties	100,757	89,748
Government remittances	4,026	19,907
LHIN funding repayable	40,871	40,871
	$ 172,024	$ 230,336

March 31, 2016

8. Deferred Operating Contributions

	2016	2015
Balance, beginning of year	$ 170,248	$ 179,697
Funding received during the year	4,088	112,833
Amounts recognized as revenue during the year	(93,867)	(122,282)
Balance, end of year	$ 80,469	$ 170,248

9. Economic Dependence

The organization is economically dependent upon the WWLHIN. This source represents 78% (2015 - 67%) of revenue for the year ended March 31, 2016.

10. Commitments

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

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

2017	$ 30,410
2018	29,507
2019	21,487
	$ 81,404

March 31, 2016

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.

	2016	2015
Internally restricted endowment fund	$ 15,675	$ 14,902
Income earned during the year	$ 1,035	$ 1,544

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.

During the year, the organization incurred one-time expenses totaling $180,000 for LTC subsidy.

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 and accounts receivable. The organization has deposited the cash with reputable financial institutions, from which management believes the risk of loss to be remote. The credit risk on accounts receivable arises from HST recoverable. 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 and its commitments. The exposure to liquidity risk is unchanged from the prior year.