

**Hospice of Waterloo Region
Financial Statements
For the year ended March 31, 2017**

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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, 2017 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, 2017 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 14, 2017

Hospice of Waterloo Region Balance Sheet

2017 2016

March 31

	Operating	Capital	Total
Assets			
Current			
Cash (Note 3)	\$ 177,244	\$ 376,923	\$ 554,167
Accounts receivable (Note 4)	55,486	192,525	248,011
Prepaid expenses	22,750	-	22,750
Due from operating fund (Note 5)	-	-	-
Due from capital fund (Note 5)	134,660	-	134,660
	390,140	569,448	959,588
Tangible capital asset (Note 6)	-	3,803,114	1,549,197
	\$ 390,140	\$ 4,372,562	\$ 4,762,702
			\$ 2,337,213
Liabilities and Fund Balances			
Current			
Accounts payable and accrued liabilities (Note 7)	\$ 176,902	-	\$ 176,902
Deferred operating contributions (Note 9)	103,809	-	103,809
Due to capital fund (Note 5)	-	134,660	134,660
Due to operating fund (Note 5)	-	2,500,000	2,500,000
Bank Loan (Note 8)	280,711	2,634,660	2,915,371
	109,429	1,622,366	1,694,197
Fund balances			
Internally restricted for tangible capital assets	-	115,536	247,622
Externally restricted	-	-	137,611
Unrestricted	109,429	1,737,902	1,847,331
	109,429	1,737,902	1,847,331
	\$ 390,140	\$ 4,372,562	\$ 4,762,702
			\$ 2,337,213

On behalf of the Board: _____ President _____ 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

2017 2016

	Operating	Capital	Total	Total
Fund balances, beginning of the year	\$ 137,611	\$ 1,941,819	\$ 2,079,430	\$ 2,040,495
Excess (deficiency) of revenue over expenditures for the year	(28,182)	(203,917)	(232,099)	38,935
Fund balances, end of the year	\$ 109,429	\$ 1,737,902	\$ 1,847,331	\$ 2,079,430

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

Hospice of Waterloo Region Statement of Operations

For the year ended March 31

2017

2016

	Operating	Capital	Total	Total
Revenue				
WWLHN (Note 10)	\$ 1,527,152	\$ -	\$ 1,527,152	\$ 1,395,652
Ministry of Health On-Call Funding (Note 10)	163,918	-	163,918	496,081
Donations and fundraising	199,370	15,500	214,870	423,970
Ministry of Health Education Funding (Note 10)	86,993	-	86,993	86,993
Grants	87,849	-	87,849	65,162
Interest and other	45,245	2,067	47,312	76,100
	2,110,527	17,567	2,128,094	2,543,958
Expenses				
Advertising, promotion, and printing	17,404	42	17,446	27,920
Amortization	-	81,724	81,724	90,327
Bank charges	3,840	255	4,095	2,603
Computer and other equipment leases and costs	39,408	-	39,408	54,289
Fundraising	20,196	-	20,196	34,249
Insurance and professional fees	19,872	2,609	22,481	33,829
Ministry of Health Education	86,993	-	86,993	86,993
Memberships	9,031	792	9,823	4,492
Occupancy costs	101,290	-	101,290	75,745
Office	23,219	593	23,812	32,781
On-Call program costs	159,651	-	159,651	484,386
Postage and telephone	21,203	-	21,203	23,023
Program costs (Note 13)	131,206	-	131,206	291,730
Salaries and benefits	1,445,264	135,378	1,580,642	1,211,453
Staff education	20,199	91	20,290	21,369
Travel reimbursements	39,933	-	39,933	29,834
	2,138,709	221,484	2,360,193	2,505,023
Excess (deficiency) of revenue over expenditures for the year	\$ (28,182)	\$ (203,917)	\$ (232,099)	\$ 38,935

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	2017	2016
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (232,099)	\$ 38,935
Item not involving cash		
Amortization of tangible capital assets	81,724	90,327
	(150,375)	129,262
 Changes in non-cash working capital balances		
Accounts receivable	(211,860)	11,262
Prepaid expenses	(8,170)	(4,790)
Accounts payable and accrued liabilities	4,878	(58,312)
Deferred operating contributions	23,340	(89,779)
	(342,187)	(12,357)
 Cash flows from investing activities		
Purchase of tangible capital assets	(2,335,641)	(42,967)
Proceeds on sale of short-term investments	-	561,894
	(2,335,641)	518,927
 Financing activities		
Proceeds from bank loans	2,500,000	-
Increase (decrease) in cash during the year	(177,828)	506,570
Cash, beginning of year	731,995	225,425
Cash, end of year	\$ 554,167	\$ 731,995

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

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	<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 tangible capital assets.</p>																		
Tangible Capital Assets	<p>Tangible capital assets 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> <p>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.</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																	

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies (continued)

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.
Income Tax	The organization is exempt from income tax under section 149 of the Income Tax Act.
Revenue Recognition	<p>The organization uses the restricted fund method of accounting for contributions.</p> <p>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.</p> <p>Contributions received related to the capital fund are recognized as revenue in the fund when received.</p> <p>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.</p> <p>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.</p>

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

1. Significant Accounting Policies (continued)

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.

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.

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

2. Changes in the Nature of Operations

A component of the current Hospice of Waterloo Region strategic plan is to become a hub for the delivery of integrated hospice palliative care services in the region, providing services that support individuals and families through serious illness and grief along with education for the healthcare professionals who provide this important care.

Hospice of Waterloo Region has begun planning for this future expansion of services with the purchase of five acres of land in North Waterloo. Planning is underway for the creation of a Palliative Care Centre that will include spaces for a medical clinic, client programming, volunteer services, education classrooms and administrative offices. There is also planning for a new 10-bed residential hospice to be included in the Centre. This future state of the art facility will be located on University Avenue across from RIM Park and is expected to open within the next two years.

3. Cash

The organization's bank accounts are held at two chartered banks and earns a nominal amount of interest.

4. Accounts Receivable

	<u>2017</u>	<u>2016</u>
WWLHIN Funding	\$ 35,291	\$ 990
HST Receivable	<u>212,720</u>	<u>35,161</u>
	<u>\$ 248,011</u>	<u>\$ 36,151</u>

5. Due From (To) Funds

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

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

6. Tangible Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land - Lawrence Avenue	\$ 232,500	\$ -	\$ 232,500	\$ -
Building - Lawrence Avenue	1,459,743	356,544	1,459,743	310,574
Land - University Avenue	2,281,106	-	-	-
Building - University Avenue	44,642	-	-	-
Furniture and equipment	164,799	122,022	161,772	111,706
Office equipment	48,320	26,518	47,488	19,390
Computer equipment	119,238	107,313	113,203	96,451
Signage	6,391	4,882	6,391	4,505
Landscaping	85,327	21,674	85,327	14,601
	\$ 4,442,066	\$ 638,953	\$ 2,106,424	\$ 557,227
Net book value		\$ 3,803,113		\$ 1,549,197

7. Accounts Payable and Accrued Liabilities

	2017	2016
Accounts payable	\$ 45,422	\$ 26,370
Accrued liabilities	126,605	100,757
Government remittances	4,875	4,026
LHIN funding repayable	-	40,871
	\$ 176,902	\$ 172,024

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

8. Bank Loan

The bank loan is a construction facility due on demand. It requires interest only payments, at prime plus 0.75%. It is secured by real property and a general security agreement over the organization's tangible capital assets.

The organization does not currently meet the bank loan covenant in which the organization is required to maintain a debt service ratio of 1.05 times.

9. Deferred Operating Contributions

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 80,469	\$ 170,248
Funding received during the year	102,322	4,088
Amounts recognized as revenue during the year	<u>(78,982)</u>	<u>(93,867)</u>
Balance, end of year	<u>\$ 103,809</u>	<u>\$ 80,469</u>

10. Economic Dependence

The organization is economically dependent upon grants from the Government of Ontario. This source represents 84% (2016 - 78%) of revenue for the year ended March 31, 2017.

11. 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 two years are as follows:

2018	\$ 53,207
2019	<u>21,487</u>
	<u>\$ 74,694</u>

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

12. 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.

	<u>2017</u>	<u>2016</u>
Internally restricted endowment fund	\$ 15,926	\$ 15,675
Income earned during the year	\$ 1,116	\$ 1,035

13. 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.

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2017

14. 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, bank loan and its commitments. The exposure to liquidity risk has increased due to the bank loan.
