

**Hospice of Waterloo Region
Financial Statements
For the year ended March 31, 2018**

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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, 2018 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 Hospice of Waterloo Region. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donation revenues, excess (deficiency) of revenues over expenditures, and cash flow from operations for the years ended March 31, 2018 and 2017, current assets as at March 2018 and 2017, and fund balances as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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, 2018 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 29, 2018

Hospice of Waterloo Region Balance Sheet

2018 2017

March 31

	Operating	Capital	Total
Assets			
Current			
Cash (Note 3)	\$ 449,197	\$ 649,455	\$ 1,098,652
Accounts receivable (Note 4)	58,109	24,090	82,199
Prepaid expenses	37,343	-	37,343
Due from capital fund (Note 5)	11,637	-	11,637
	<u>556,286</u>	<u>673,545</u>	<u>1,229,831</u>
Tangible capital assets (Note 6)	-	4,133,101	4,133,101
	<u>\$ 556,286</u>	<u>\$ 4,806,646</u>	<u>\$ 5,362,932</u>

Liabilities and Fund Balances			
Current			
Accounts payable and accrued liabilities (Note 7)	\$ 188,445	\$ 31,310	\$ 219,755
Deferred operating contributions (Note 9)	264,042	-	264,042
Due to operating fund (Note 5)	-	11,637	11,637
Bank Loan (Note 8)	-	1,800,000	1,800,000
	<u>452,487</u>	<u>1,842,947</u>	<u>2,295,434</u>
Fund balances			
Restricted for tangible capital assets	-	2,333,101	2,333,101
Externally restricted	-	630,598	630,598
Unrestricted	103,799	-	103,799
	<u>103,799</u>	<u>2,963,699</u>	<u>3,067,498</u>
	<u>\$ 556,286</u>	<u>\$ 4,806,646</u>	<u>\$ 5,362,932</u>

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 2018 2017

	Operating	Capital	Total
Fund balances, beginning of the year	\$ 109,429	\$ 1,737,902	\$ 1,847,331
Excess (deficiency) of revenue over expenditures for the year	(5,630)	1,225,797	1,220,167
Fund balances, end of the year	\$ 103,799	\$ 2,963,699	\$ 3,067,498
		\$ 1,847,331	\$ 2,079,430
		(232,099)	(232,099)

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

Hospice of Waterloo Region Statement of Operations

2018 2017

For the year ended March 31

	Operating	Capital	Total
Revenue			
WWLHIN (Note 10)	\$ 1,527,352	\$ -	\$ 1,527,352
Ministry of Health On-Call Funding (Note 10 & 14)	4,361	-	4,361
Donations and fundraising	304,494	1,470,909	1,775,403
Ministry of Health Education Funding (Note 10)	86,993	-	86,993
Grants	54,773	-	54,773
Interest and other	52,564	1,760	54,324
	2,030,537	1,472,669	3,503,206
Expenses			
Advertising, promotion, and printing	33,653	5,529	39,182
Amortization	-	71,359	71,359
Bank charges	4,151	1,040	5,191
Computer and other equipment leases and costs	52,686	-	52,686
Fundraising	15,248	-	15,248
Insurance and professional fees	30,940	1,420	32,360
Ministry of Health Education	86,993	-	86,993
Memberships	6,154	912	7,066
Occupancy costs	103,837	4,413	108,250
Office	23,807	1,490	25,297
Postage and telephone	20,546	39	20,585
Program costs (Note 13)	132,231	-	132,231
Salaries and benefits	1,478,456	160,670	1,639,126
Staff education	18,588	-	18,588
Travel reimbursements	28,877	-	28,877
	2,036,167	246,872	2,283,039
Excess (deficiency) of revenue over expenditures for the year	\$ (5,630)	\$ 1,225,797	\$ 1,220,167
			\$ (232,099)

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	2018	2017
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ 1,220,167	\$ (232,099)
Item not involving cash		
Amortization of tangible capital assets	71,359	81,724
	1,291,526	(150,375)
Changes in non-cash working capital balances		
Accounts receivable	165,812	(211,860)
Prepaid expenses	(14,593)	(8,170)
Accounts payable and accrued liabilities	33,161	4,878
Deferred operating contributions	169,925	23,340
	1,645,831	(342,187)
Cash flows from investing activities		
Purchase of tangible capital assets	(401,346)	(2,335,641)
Financing activities		
Proceeds from (repayment of) bank loan	(700,000)	2,500,000
Increase (decrease) in cash during the year	544,485	(177,828)
Cash, beginning of year	554,167	731,995
Cash, end of year	\$ 1,098,652	\$ 554,167

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2018

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. Amounts related to existing tangible capital assets are reported in the internally restricted for tangible capital assets. Externally restricted funds represents the amounts raised towards future tangible capital asset purchases that have been restricted by the funder.</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, 2018

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

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.

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2018

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, 2018

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>2018</u>	<u>2017</u>
WWLHIN Funding	\$ 21,100	\$ 35,291
HST Receivable	61,099	212,720
	<u>\$ 82,199</u>	<u>\$ 248,011</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, 2018

6. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land - Lawrence Avenue	\$ 232,500	\$ -	\$ 232,500	\$ -
Building - Lawrence Avenue	1,459,743	400,669	1,459,743	356,544
Land - University Avenue	2,266,691	-	2,266,691	-
Building - University Avenue	460,403	-	59,057	-
Furniture and equipment	164,799	130,578	164,799	122,022
Office equipment	48,319	31,968	48,321	26,518
Computer equipment	119,238	113,872	119,238	107,313
Signage	6,391	5,184	6,391	4,882
Landscaping	85,327	28,039	85,327	21,674
	<u>\$ 4,843,411</u>	<u>\$ 710,310</u>	<u>\$ 4,442,067</u>	<u>\$ 638,953</u>
Net book value		<u>\$ 4,133,101</u>		<u>\$ 3,803,114</u>

The Building at University Avenue is under construction and is not being amortized as it is not available for use at March 31, 2018.

7. Accounts Payable and Accrued Liabilities

	2018	2017
Accounts payable	\$ 71,359	\$ 55,113
Accrued liabilities	131,724	126,606
Government remittances	16,672	4,875
	<u>\$ 219,755</u>	<u>\$ 186,594</u>

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2018

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 has three additional credit facilities that have not been drawn upon at year end. These facilities consist of an interim construction loan with capacity of \$8,500,000, which upon completion of construction would be converted to a bridge loan and a reducing demand loan. The lending capacities of the post-construction facilities are \$4,100,000 and \$2,357,000 respectively.

9. Deferred Operating Contributions

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 94,117	\$ 77,532
Funding received during the year	282,973	81,291
Amounts recognized as revenue during the year	<u>(113,048)</u>	<u>(64,706)</u>
Balance, end of year	<u>\$ 264,042</u>	<u>\$ 94,117</u>

10. Economic Dependence

The organization is economically dependent upon grants from the Government of Ontario. This source represents 80% (2017 - 82%) of operating revenue for the year ended March 31, 2018.

11. Commitments

The organization has entered into an operating lease for its office space expiring December 2018.

The minimum annual lease payments for the next year is as follows:

Fiscal 2019	<u>\$ 21,487</u>
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Hospice of Waterloo Region Notes to Financial Statements

March 31, 2018

12. Kitchener and Waterloo Community Foundation

Certain endowment funds owned by Kitchener and Waterloo Community Foundation (KWCF) are held in perpetuity for the benefit of Hospice of Waterloo Region and are excluded from these financial statements. 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.

	2018	2017
Restricted endowment fund	\$ 16,383	\$ 15,926
Income earned during the year	\$ 1,330	\$ 1,116

13. WWLHIN

During the year, the organization received funding of \$24,550 (2017 - \$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.

14. Ministry of Health On-Call Funding

The organization acts as an agent for the Ministry of Health in regards to the Community Palliative Physicians On-Call program. During 2018 the organization received funding of \$164,708 (2017 - \$163,918) for distribution in regards to this program. Included in the statement of operations is the portion of funding earned by the Hospice of Waterloo Region.

15. Comparative Amounts

The comparative amounts have been reclassified to conform to the current year's presentation.

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2018

16. 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.
