

Hospice of Waterloo Region
Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Hospice of Waterloo Region

Opinion

We have audited the financial statements of Hospice of Waterloo Region (the Organization), which comprise the balance sheet as at March 31, 2019, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

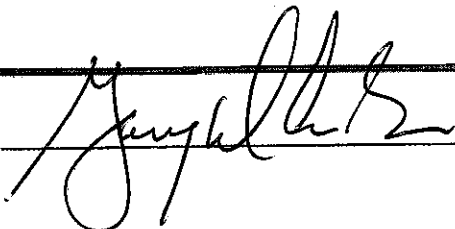

Chartered Professional Accountants, Licensed Public Accountants

Waterloo, Ontario
June 12, 2019

**Hospice of Waterloo Region
Balance Sheet**

March 31 2019 2018

	Operating	Capital	Total	Total
Assets				
Current				
Cash (Note 3)	\$ 564,851	\$ 2,718,317	\$ 3,283,168	\$ 1,098,652
Accounts receivable (Note 4)	67,170	45,760	112,930	82,199
Prepaid expenses	35,089	-	35,089	37,343
Interfund balances (Note 5)	(55,281)	55,281	-	-
	611,829	2,819,358	3,431,187	1,218,194
Tangible capital assets (Note 6)	-	5,291,089	5,291,089	4,133,101
	\$ 611,829	\$ 8,110,447	\$ 8,722,276	\$ 5,351,295
Liabilities and Fund Balances				
Current				
Accounts payable and accrued liabilities (Note 7)	\$ 231,215	\$ 65,370	\$ 296,585	\$ 219,755
Deferred operating contributions (Note 8)	234,531	-	234,531	264,042
Bank Loan	-	-	-	1,800,000
	465,746	65,370	531,116	2,283,797
Fund balances				
Restricted for tangible capital assets	-	5,291,089	5,291,089	2,333,101
Externally restricted	-	2,753,988	2,753,988	630,598
Unrestricted	146,083	-	146,083	103,799
	146,083	8,045,077	8,191,160	3,067,498
	\$ 611,829	\$ 8,110,447	\$ 8,722,276	\$ 5,351,295

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

2019 2018

	Operating	Capital	Total	Total
Fund balances, beginning of the year	\$ 103,799	\$ 2,963,699	\$ 3,067,498	\$ 1,847,331
Excess of revenue over expenditures for the year	42,284	5,081,378	5,123,662	1,220,167
Fund balances, end of the year	\$ 146,083	\$ 8,045,077	\$ 8,191,160	\$ 3,067,498

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

**Hospice of Waterloo Region
Statement of Operations**

For the year ended March 31

2019

2018

	Operating	Capital	Total	Total
Revenue				
WWLHIN (Note 9)	\$ 1,114,896	\$ 1,100,000	\$ 2,214,896	\$ 1,527,352
Donations and fundraising (Note 10)	520,401	3,693,810	4,214,211	1,775,403
Ministry of Health Education Funding (Note 9)	108,993	-	108,993	86,993
Grants	51,033	682,500	733,533	54,773
Interest and other (Note 10)	67,407	615	68,022	58,685
	1,862,730	5,476,925	7,339,655	3,503,206
Expenses				
Advertising, promotion, and printing	51,140	9,913	61,053	39,182
Amortization	-	62,216	62,216	71,359
Bank charges	4,405	6,783	11,188	5,191
Computer and other equipment leases and costs	55,549	1,423	56,972	52,686
Fundraising	67,263	-	67,263	15,248
Insurance and professional fees	21,144	-	21,144	32,360
Ministry of Health Education	108,993	-	108,993	86,993
Memberships	6,016	912	6,928	7,066
Occupancy costs	75,826	33,632	109,458	108,250
Office	24,727	16,215	40,942	25,297
Postage and telephone	21,074	315	21,389	20,585
Program costs (Note 13)	111,036	-	111,036	132,231
Salaries and benefits	1,217,052	263,818	1,480,870	1,639,126
Staff education	27,279	11	27,290	18,588
Travel reimbursements	28,942	309	29,251	28,877
	1,820,446	395,547	2,215,993	2,283,039
Excess of revenue over expenditures for the year	\$ 42,284	\$ 5,081,378	\$ 5,123,662	\$ 1,220,167

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	2019	2018
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 5,123,662	\$ 1,220,167
Item not involving cash		
Amortization of tangible capital assets	62,216	71,359
	<u>5,185,878</u>	<u>1,291,526</u>
Changes in non-cash working capital balances		
Accounts receivable	(30,731)	165,812
Prepaid expenses	2,254	(14,593)
Accounts payable and accrued liabilities	76,830	33,161
Deferred operating contributions	(29,511)	169,925
	<u>5,204,720</u>	<u>1,645,831</u>
Cash flows from investing activities		
Purchase of tangible capital assets	(1,220,204)	(401,346)
Financing activities		
Repayment of bank loan	(1,800,000)	(700,000)
Increase in cash during the year	2,184,516	544,485
Cash, beginning of year	<u>1,098,652</u>	<u>554,167</u>
Cash, end of year	\$ 3,283,168	\$ 1,098,652

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2019

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. 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.

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.

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2019

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, 2019

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.

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2019

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. Construction 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.

3. Cash

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

The organization has a letter of credit outstanding with the Corporation of the City of Waterloo for \$200,000 related to the construction of a Palliative Care Centre.

The organization has three 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.

4. Accounts Receivable

	2019	2018
WWLHIN Funding	\$ 42,658	\$ 21,100
HST Receivable	70,272	61,099
	<u>\$ 112,930</u>	<u>\$ 82,199</u>

5. Interfund balances

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, 2019

6. Tangible Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land - Lawrence Avenue	\$ 232,500	\$ -	\$ 232,500	\$ -
Building - Lawrence Avenue	1,459,743	443,032	1,459,743	400,669
Land - University Avenue	2,266,691	-	2,266,691	-
Building - University Avenue	1,680,607	-	460,403	-
Furniture and equipment	164,799	137,422	164,799	130,578
Office equipment	48,319	36,056	48,319	31,968
Computer equipment	119,238	116,823	119,238	113,872
Signage	6,391	5,425	6,391	5,184
Landscaping	85,327	33,768	85,327	28,039
	<u>\$ 6,063,615</u>	<u>\$ 772,526</u>	<u>\$ 4,843,411</u>	<u>\$ 710,310</u>
Net book value		<u>\$ 5,291,089</u>		<u>\$ 4,133,101</u>

The Building at University Avenue is under construction and as such is not being amortized. The organization has planned to spend approximately \$15.5 million on this project with the planned completion date of June 2020. A capital campaign to secure the required funding is well underway. In addition, the organization has secured credit facilities as described in Note 3 to deal with any timing differences of funding raised during construction.

7. Accounts Payable and Accrued Liabilities

	2019	2018
Accounts payable	\$ 100,011	\$ 71,359
Accrued liabilities	164,942	131,724
Government remittances	31,632	16,672
	<u>\$ 296,585</u>	<u>\$ 219,755</u>

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

March 31, 2019

8. Deferred Operating Contributions

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 264,042	\$ 94,117
Funding received during the year	42,136	282,973
Amounts recognized as revenue during the year	<u>(71,647)</u>	<u>(113,048)</u>
Balance, end of year	<u>\$ 234,531</u>	<u>\$ 264,042</u>

9. Economic Dependence

The organization is economically dependent upon grants from the Government of Ontario. This source represents 66% (2018 - 80%) of operating revenue for the year ended March 31, 2019.

10. Non-monetary Transactions

During the year, the organization received donations of \$349,373 in marketable securities measured at the fair value of the securities received on the date of the exchange. The organization later sold these and realized a loss of \$2,758.

11. Commitments

The organization has entered into operating leases for its office space expiring June 2019 and December 2019.

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

2020	<u>\$ 23,740</u>
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Hospice of Waterloo Region Notes to Financial Statements

March 31, 2019

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.

	2019	2018
Restricted endowment fund	\$ 25,486	\$ 16,383
Income (loss) earned during the year	\$ (9)	\$ 1,330

13. WWLHIN

During the year, the organization received funding of \$22,000 (2018 - \$24,550) 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, 2019

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, and its commitments. The exposure to liquidity risk has decreased due to repayment of the bank loan.
