

Hospice of Waterloo Region
Financial Statements
For the year ended March 31, 2021

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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, 2021, 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, 2021, 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 09, 2021

Hospice of Waterloo Region Balance Sheet

March 31 2021 2020

	Operating	Capital	Total
Assets			
Current			
Cash (Note 3 and 4)	\$ 1,052,896	\$ 464,899	\$ 1,517,795
Accounts receivable (Note 5)	72,111	475,747	547,858
Prepaid expenses	45,500	500	46,000
Interfund balances (Note 7)	62,675	(62,675)	-
Assets held for sale	-	-	-
	<u>1,233,182</u>	<u>878,471</u>	<u>2,111,653</u>
Tangible capital assets (Note 8)	-	17,246,956	17,246,956
	<u>\$ 1,233,182</u>	<u>\$ 18,125,427</u>	<u>\$ 19,358,609</u>
			<u>\$ 12,377,933</u>
Liabilities and Fund Balances			
Current			
Accounts payable and accrued liabilities (Note 4 and 9)	\$ 675,025	\$ 2,279,290	\$ 2,954,315
Deferred operating contributions (Note 10)	339,356	-	339,356
	<u>1,014,381</u>	<u>2,279,290</u>	<u>3,293,671</u>
Long-term debt (Note 11)			
	<u>30,000</u>	<u>-</u>	<u>30,000</u>
	<u>1,044,381</u>	<u>2,279,290</u>	<u>3,323,671</u>
			<u>1,431,350</u>
Fund balances			
Restricted for tangible capital assets	-	14,967,666	14,967,666
Externally restricted	-	878,471	878,471
Unrestricted	188,801	-	188,801
	<u>188,801</u>	<u>15,846,137</u>	<u>16,034,938</u>
	<u>\$ 1,233,182</u>	<u>\$ 18,125,427</u>	<u>\$ 19,358,609</u>
			<u>\$ 12,377,933</u>

On behalf of the Board: *Shanda Hollman* President *[Signature]* Treasurer

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

**Hospice of Waterloo Region
Statement of Changes in Fund Balances**

	2021	2020
Fund balances, beginning of the year	\$ 146,086	\$ 8,191,160
Excess of revenue over expenditures for the year	113	2,755,423
Interfund transfers (Note 6)	42,602	-
Fund balances, end of the year	\$ 188,801	\$ 10,946,583

Hospice of Waterloo Region Statement of Operations

For the year ended March 31 2021 2020

	Operating	Capital	Total	Total
Revenue				
WWLHIN (Note 12)	\$ 1,185,558	\$ 1,026,855	\$ 2,212,413	\$ 1,089,752
Donations and fundraising (Note 13)	360,546	4,342,046	4,702,592	3,622,124
Ministry of Health Education funding (Note 12)	86,993	-	86,993	86,993
Grants	70,473	14,700	85,173	30,770
Interest and other (Note 13)	63,635	14,952	78,587	61,126
	1,767,205	5,398,553	7,165,758	4,890,765
Expenses				
Advertising, promotion, and printing	55,731	10,163	65,894	59,107
Amortization of tangible capital assets	-	540,849	540,849	60,139
Bank charges	4,816	11,132	15,948	12,733
Computer and other equipment leases and costs	65,505	613	66,118	37,117
Fundraising	5,364	-	5,364	98,427
Insurance and professional fees	57,560	-	57,560	48,503
Ministry of Health Education	86,993	-	86,993	86,993
Memberships	7,201	943	8,144	8,035
Occupancy costs	109,534	23,555	133,089	132,031
Office	18,876	19,594	38,470	31,900
Postage and telephone	18,026	1,087	19,113	25,296
Program costs	76,823	-	76,823	97,057
Salaries and benefits	1,407,638	293,518	1,701,156	1,400,980
Staff education	2,649	30	2,679	17,051
Travel reimbursements	1,260	72	1,332	19,973
	1,917,976	901,556	2,819,532	2,135,342
Excess of revenue over expenditures before other items	(150,771)	4,496,997	4,346,226	2,755,423
Other items				
Canada Emergency Wage Subsidy	140,884	38,902	179,786	-
Forgiven portion of Canada Emergency Business Account loan (Note 11)	10,000	-	10,000	-
Gain on disposal of tangible capital assets	-	552,343	552,343	-
	150,884	591,245	742,129	-
Excess of revenue over expenditures for the year	\$ 113	\$ 5,088,242	\$ 5,088,355	\$ 2,755,423

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	2021	2020
Cash flows from operating activities		
Excess of revenue over expenses for the year	\$ 5,088,355	\$ 2,755,423
Item not involving cash		
Amortization of tangible capital assets	540,849	60,139
Gain on sale of assets held for sale	(552,343)	-
Forgiven portion of Canada Emergency Business Account loan	(10,000)	-
	<u>5,066,861</u>	<u>2,815,562</u>
 Changes in non-cash working capital balances		
Accounts receivable	(306,852)	(128,076)
Prepaid expenses	(14,520)	3,609
Accounts payable and accrued liabilities	1,727,557	930,173
Deferred operating contributions	134,764	(29,939)
	<u>6,607,810</u>	<u>3,591,329</u>
 Cash flows from investing activities		
Purchases of tangible capital assets	(9,732,235)	(4,082,887)
Proceeds on the disposal of assets held for sale	1,810,610	-
	<u>1,810,610</u>	<u>-</u>
 Cash flows from financing activities		
Advance from long term debt	40,000	-
	<u>40,000</u>	<u>-</u>
 Decrease in cash during the year	<u>(1,273,815)</u>	<u>(491,558)</u>
 Cash, beginning of year	<u>2,791,610</u>	<u>3,283,168</u>
 Cash, end of year	<u>\$ 1,517,795</u>	<u>\$ 2,791,610</u>

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2021

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><tr><td>Leasehold improvements</td><td>-</td><td>5 years straight-line</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	Leasehold improvements	-	5 years straight-line
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																				
Leasehold improvements	-	5 years straight-line																				

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2021

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, 2021

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, 2021

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 and for the informal caregivers and general community.

Hospice of Waterloo Region has moved on this strategic objective with the move to a new facility in North Waterloo. This new facility will be a Palliative Care Centre that includes spaces for a medical clinic, client programming, volunteer services, education classrooms, administrative offices and a new service of residence hospice beds.

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 \$8,000,000, 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 \$6,000,000 and \$2,000,000 respectively.

4. Restricted Cash

Included within Cash is \$287,444 held on behalf of the Cambridge North Dumfries Ontario Health Team ("CNDOHT"). The Hospice of Waterloo region has agreed to collect contributions from members and disburse funds on behalf CNDOHT. Included within accounts payable is \$287,444 owing to CNDOHT. The collection and distribution of funds has no impact on the results of operations of the Hospice of Waterloo Region.

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

March 31, 2021

5. Accounts Receivable

	<u>2021</u>	<u>2020</u>
HST Receivable	\$ 497,692	\$ 234,390
Other	50,166	6,616
	<u>\$ 547,858</u>	<u>\$ 241,006</u>

6. Interfund Transfers

During the year, the Board of Directors authorized the transfer of funds in the amount of \$42,602 from the Capital Fund to the Operating Fund. This transfer is shown as interfund transfers on the Statement of Changes in Fund Balances.

7. 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, 2021

8. Tangible Capital Assets

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land - University Avenue	\$ 2,266,691	\$ -	\$ 2,266,691	\$ -
Building - University Avenue	14,642,573	399,637	5,339,264	-
Furniture and equipment	876,005	257,969	552,049	143,954
Office equipment	50,502	42,172	50,502	39,395
Computer equipment	167,568	132,666	138,462	118,427
Signage	75,863	7,586	6,391	5,618
Landscaping	-	-	85,327	38,924
Leasehold improvements	12,974	5,190	12,974	2,595
	\$18,092,176	\$ 845,220	\$ 8,451,660	\$ 348,913
Net book value		\$17,246,956		\$ 8,102,747

9. Accounts Payable and Accrued Liabilities

	2021	2020
Accounts payable	\$ 1,284,030	\$ 653,862
Accrued liabilities	1,604,533	539,403
Government remittances	65,752	33,493
	\$ 2,954,315	\$ 1,226,758

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2021

10. Deferred Operating Contributions

	2021	2020
Balance, beginning of year	\$ 204,592	\$ 234,531
Funding received during the year	256,147	59,763
Amounts recognized as revenue during the year	(121,383)	(89,702)
Balance, end of year	<u>\$ 339,356</u>	<u>\$ 204,592</u>

11. Long-term Debt

In 2021, the Organization received a \$40,000 Canada Emergency Business Account (CEBA) loan and used \$40,000 to finance qualifying non-deferrable expenses during COVID. The loan is non-interest bearing with no scheduled payments until December 31, 2022. If \$30,000 of the loan has been repaid by that date, the remaining \$10,000 will be forgiven. If the \$30,000 in loan payments have not been made by December 31, 2022, the full outstanding balance will be converted to a 5% interest bearing loan to be repaid in monthly instalments over a three year period ending December 31, 2025.

The \$10,000 forgivable portion has been recorded in other income in 2021. The remaining \$30,000 has been recorded as a liability.

12. Economic Dependence

The organization is economically dependent upon grants from the Government of Ontario. This source represents 72% (2020 - 69%) of operating revenue for the year ended March 31, 2021.

13. Non-monetary Transactions

During the year, the organization received donations of \$89,657 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 gain of \$1,609.

Hospice of Waterloo Region Notes to Financial Statements

March 31, 2021

14. Commitments

The organization has entered into operating leases for its office space expiring June 2024.

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

2022	\$	24,089
2023		24,415
2024		25,022
2025		<u>4,556</u>
	\$	<u>78,082</u>

15. 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.

Value of Endowment funds at December 31, 2020

	<u>2021</u>	<u>2020</u>
Restricted endowment fund	<u>\$ 30,272</u>	<u>\$ 28,236</u>
Net income earned during the year	<u>\$ 2,036</u>	<u>\$ 2,750</u>

16. 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, 2021

17. 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. There have been no changes to the organization's credit risk exposure from the prior year.

18. Uncertainty due to COVID-19

The impact of COVID-19 in Canada and on the global economy continues to evolve. As the impacts of COVID-19 continue, there could be further impact on the organization, its funders and donors. Management is actively monitoring the effect on its financial condition, liquidity, operations, suppliers, industry, and workforce. As a result of restrictions put in place by the Province of Ontario, the organization suspended face to face programs and some fundraising events have been cancelled. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to fully estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity at this time.
