Grant Thornton

Financial Statements of

HOSPICE PETERBOROUGH

March 31, 2019

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Independent auditor's report

To the Members of
Hospice Peterborough

Qualified Opinion

We have audited the financial statements of Hospice Peterborough ("the Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Hospice Peterborough 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 Qualified Opinion

In common with many charitable organizations, Hospice Peterborough derives revenues from donations and fundraising, 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 at Hospice Peterborough and we were not able to determine whether any adjustments might be necessary to revenues from donations and fundraising, excess of revenue over expenditures, assets and fund balances.

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 a 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 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.

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Peterborough, Canada
May 30, 2019

HOSPICE PETERBOROUGH

STATEMENT OF FINANCIAL POSITION

March 31

	Operating Fund $	Capital Asset Fund $	Restricted Fund $	2019 Total $	2018 Total $
ASSETS					
CURRENT ASSETS					
Cash and short-term investments (note 4)	243,615	-	1,674,555	1,918,170	4,082,171
Accounts receivable	437,995	198,666	-	636,661	125,569
Prepaid expenses and deposit	15,497	50,000	-	65,497	57,872
Interfund balances (note 5)	709,440	1,289,808	(1,999,248)	-	-
	1,406,547	1,538,474	(324,693)	2,620,328	4,265,612
CAPITAL ASSETS (note 6)	-	9,212,166	-	9,212,166	4,372,633
	1,406,547	10,750,640	(324,693)	11,832,494	8,638,245
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities (note 7)	213,073	872,317	-	1,085,390	655,141
Deferred revenue (note 8)	13,783	-	-	13,783	36,786
Demand loan (note 9)	-	666,157	-	666,157	-
	226,856	1,538,474	-	1,765,330	691,927
FUND BALANCES					
Unrestricted	889,520	-	-	889,520	350,485
Invested in capital assets	-	9,212,166	-	9,212,166	4,372,633
Internally restricted	290,171	-	-	290,171	290,171
Externally restricted	-	-	(324,693)	(324,693)	2,933,029
	1,179,691	9,212,166	(324,693)	10,067,164	7,946,318
	1,406,547	10,750,640	(324,693)	11,832,494	8,638,245

See accompanying notes to the financial statements

HOSPICE PETERBOROUGH

STATEMENT OF OPERATIONS AND FUND BALANCES

Year Ended March 31

	Operating Fund $	Capital Asset Fund $	Restricted Fund $	2019 Total $	2018 Total $
REVENUES					
Ministry of Health & Long-Term Care (CE-LHIN)	1,168,929	635,406	-	1,804,335	854,474
Grants	7,787	-	-	7,787	23,176
Donations and bequests	570,226	227,561	765,618	1,563,405	1,880,642
Fundraising	186,562	-	-	186,562	178,467
Interest and investment income	11,373	-	23,630	35,003	29,854
	1,944,877	862,967	789,248	3,597,092	2,966,613
EXPENDITURES					
Remuneration and contract fees	1,142,239	-	-	1,142,239	928,829
Travel	19,992	-	-	19,992	18,942
Training and association fees	19,791	-	-	19,791	19,411
Building occupancy	25,103	-	-	25,103	22,883
Office expenses	74,388	-	17	74,405	60,040
Professional fees	10,317	-	-	10,317	10,500
Program supplies	17,295	-	1,812	19,107	13,092
Community education and development	17,486	-	-	17,486	8,316
Fundraising	44,657	-	9,967	54,624	65,066
Insurance	4,574	-	-	4,574	3,849
Moving and storage	30,000	-	-	30,000	-
Amortization	-	58,608	-	58,608	35,480
	1,405,842	58,608	11,796	1,476,246	1,186,408
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	539,035	804,359	777,452	2,120,846	1,780,205
FUND BALANCES - beginning of year	640,656	4,372,633	2,933,029	7,946,318	6,166,113
INTERFUND TRANSFERS (note 5)	-	4,035,174	(4,035,174)	-	-
FUND BALANCES - end of year	1,179,691	9,212,166	(324,693)	10,067,164	7,946,318

HOSPICE PETERBOROUGH
STATEMENT OF CASH FLOWS
Year Ended March 31

	Operating Fund $	Capital Asset Fund $	Restricted Fund $	2019 Total $	2018 Total $
CASH PROVIDED FROM (USED FOR)					
OPERATING ACTIVITIES					
Excess of revenues over expenditures for the year	539,035	804,359	777,452	2,120,846	1,780,205
Add (deduct) items not requiring an outlay of cash:					
Amortization	-	58,608	-	58,608	35,480
In-kind contributions	-	(227,561)	-	(227,561)	-
Interfund transfers	-	4,035,174	(4,035,174)	-	-
	539,035	4,670,580	(3,257,722)	1,951,893	1,815,685
Changes in non-cash working capital items:					
Accounts receivable	(428,694)	(82,398)	-	(511,092)	(14,252)
Prepaid expenses and deposit	(7,625)	-	-	(7,625)	5,604
Accounts payable and accrued liabilities	91,193	339,056	-	430,249	216,024
Deferred revenue	(23,003)	-	-	(23,003)	3,637
	170,906	4,927,238	(3,257,722)	1,840,422	2,026,698
FINANCING ACTIVITIES					
Demand loan	-	666,157	-	666,157	-
Interfund transfer	(1,985,225)	(922,815)	2,908,040	-	-
	(1,985,225)	(256,658)	2,908,040	666,157	-
INVESTING ACTIVITIES					
Additions to capital assets	-	(4,670,580)	-	(4,670,580)	(2,003,221)
INCREASE (DECREASE) IN CASH FOR THE YEAR	(1,814,319)	-	(349,682)	(2,164,001)	23,477
CASH AND SHORT-TERM INVESTMENTS - beginning of year	2,057,934	-	2,024,237	4,082,171	4,058,694
CASH AND SHORT-TERM INVESTMENTS - end of year	243,615	-	1,674,555	1,918,170	4,082,171

1. NATURE OF THE ENTITY

Hospice Peterborough is a not-for-profit organization supporting individuals and families who live with life-threatening illness or grief.

Hospice Peterborough was incorporated without share capital on January 31, 1989 and as such is prohibited from distributing any of its funds to, or for personal benefit of its members. Hospice Peterborough qualifies as a charitable organization as defined in the Federal and Ontario Income Tax Acts and, accordingly, is not subject to income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Fund accounting

The operating fund accounts for the organization's program delivery and administrative activities. This fund reports unrestricted resources, restricted operating grants and resources internally restricted for operations.

The capital asset fund reports the assets, liabilities, revenues and expenditures related to the organization's capital assets and restricted resources for capital purchases.

The restricted fund reports the assets, liabilities, revenues and expenditures of the Every Moment Matters Campaign.

(c) Revenue and expenditure recognition

Revenues and expenditures are recorded on the accrual basis. The organization follows the restricted method of accounting for contributions. Unrestricted donations and externally restricted contributions are recognized as revenue in the appropriate fund when received.

Investment income is recognized as revenue of the appropriate fund in the year in which it is earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Building	40 years
Office furniture and equipment	5-10 years
Computer equipment	3 years

Assets that are not yet in use are not amortized.

(e) *Contributed materials and services*

Contributed materials and services that are used in the normal course of operations and would otherwise have been purchased are recorded in the financial statements at the time of the contribution and when a fair value can be reasonably estimated.

(f) *Contributed services*

Volunteers contribute over 14,000 hours of their time each year to assist the organization in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) *Use of estimates*

Management reviews the carrying value of items in the financial statements at each reporting date to assess the need for revisions or any possibility of impairment. Management determines estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Estimates are reviewed periodically and adjustments are made to revenue and expenditures as appropriate in the year they become known. The most significant items that involve the use of estimates are the useful life of capital assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial instruments

The organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The organization accounts for the following as financial instruments:

- cash and short-term investments
- accounts receivable
- accounts payable
- demand loan

A financial asset or liability is recognized when the organization becomes a party to a contractual provision of the instrument.

The organization initially measures its financial assets and financial liabilities at fair value.

The organization subsequently measures all of its financial assets and financial liabilities at amortized cost, except for cash and investments, which are subsequently measured at fair value.

The organization removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

3. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. Unless otherwise noted, there has been no change in risk exposure from the prior year.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The organization is subject to limited interest rate risk on its interest-bearing financial instruments, consisting of short-term investments, as well as borrowings on their credit facility (note 9).

(ii) Liquidity risk

Liquidity risk is the risk that the organization will not be able to meet its obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the organization's cash requirements. Additional cash requirements are met with the use of short-term investments (note 4) or the available credit facility (note 9).

4. CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments consist of the following:

	2019 $	2018 $
Cash held with chartered banks	675,656	428,096
Cash held with investment companies	24,076	7,540
Guaranteed investment certificates	208,954	242,953
Mutual funds - investment savings accounts	1,009,484	3,403,582
	1,918,170	4,082,171

Within cash held with chartered banks, $267,136 is held in a Kawartha Credit Union chequing account earning interest at 0.15%. The remaining cash held with chartered banks does not earn interest.

5. INTERFUND BALANCES AND TRANSFERS

The interfund balances consist of amounts owing/owed between funds. These interfund advances are non-interest bearing with no fixed terms of repayment.

During the year, the organization transferred $4,035,174 (2018 - $1,949,956) from the restricted fund to the capital asset fund for Hospice Care property capital expenditures.

6. CAPITAL ASSETS

Capital assets and related accumulated amortization are classified as follows:

	2019		2018	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Land	433,750	-	433,750	-
Building	8,088,448	16,851	3,869,407	-
Office furniture and equipment	735,284	61,764	87,913	51,094
Computer equipment	79,247	45,948	47,519	38,318
Leasehold improvements	162,251	162,251	162,251	138,795
	9,498,980	286,814	4,600,840	228,207
Net book value		9,212,166		4,372,633

During the year $78,908 in office furniture and equipment and $148,653 building materials were donated. These contributions have been included in capital assets at their fair value.

7. GOVERNMENT REMITTANCES

Included in accounts payable and accrued liabilities are government remittances of $41,601 (2018 - $28,359).

8. DEFERRED REVENUE

Deferred revenue consists of the following:

	2019 $	2018 $
Program grants and donations	-	125
Hike for Hospice	12,272	6,500
Hospice gala tickets and sponsorships	-	28,650
Handbags for Hospice sponsorship	1,511	1,511
	13,783	36,786

9. CREDIT FACILITY

The organization has available to it a construction loan of up to $3,850,000 to assist with financing the capital additions of the Hospice Care Centre. As at March 31, 2019, $666,157 (2018 - $Nil) was outstanding on the loan. The loan bears interest at the Bank of Canada's prime rate calculated and payable monthly, advances are repayable 48 months from the date of disbursement, and is due on demand. The loan is secured by a general security agreement creating a security interest in all property of the organization and a mortgage on the property in the amount of $3,850,000.

10. COMMITMENTS

In a prior year the organization entered into construction and architectural contracts for the construction of the Hospice Care Centre which was subsequently amended into a single design-build contract. As at March 31, 2019, the remaining commitment on the contract is $256,030 plus HST (2018 - $3,694,942) and it is expected that the term of the contract will end by March 31, 2020.

11. CONTINGENCY

The organization is currently undergoing a review of its HST status which may result in being eligible for a greater HST rebate on certain capital expenditures related to the Hospice Care Centre. The organization will be amending its HST rebate applications for the past four years. The amount of recovery has been estimated at $147,500 as at March 31, 2019.

12. ECONOMIC DEPENDENCE

Under the Health Insurance Act (Ontario) and the regulations thereunder, the organization is funded primarily by the Ministry of Health & Long-Term Care ("the Ministry") of the Province of Ontario in accordance with funding arrangements established by the Central East Local Health Integration Network ("CE-LHIN"). The Board of Directors recognizes the organization's ongoing dependency on the Ministry as the primary funding source for the organization's operating activities.