Grant Thornton

Financial Statements

Hospice Peterborough

March 31, 2020

Contents

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Independent Auditor's Report

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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, 2020, and the statement of operations and fund balances and statement of 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 the organization as at March 31, 2020, 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 not-for-profit organizations, the organization derives part of its revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations revenue, fundraising revenue, excess of revenue over expenditures, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and fund balances as at April 1, 2018, March 31, 2019 and 2020. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in scope.

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 qualified opinion.

Independent Auditor's Report (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Grant Thornton LLP

Peterborough, Canada
May 28, 2020

Chartered Professional Accountants
Licensed Public Accountants

Hospice Peterborough
Statement of Financial Position

March 31	Operating Fund	Capital Asset Fund	Restricted Fund	2020 Total	2019 Total
Assets					
Current					
Cash and short-term investments (Note 3)	$ 564,118	$ -	$ 1,063,979	$ 1,628,097	$ 1,918,170
Accounts receivable	62,532	-	-	62,532	636,661
Prepaid expenses and deposit	7,725	50,000	-	57,725	65,497
Interfund balances (Note 4)	425,106	676,940	(1,102,046)	-	-
	1,059,481	726,940	(38,067)	1,748,354	2,620,328
Capital assets (Note 5)	-	9,317,303	-	9,317,303	9,212,166
	$ 1,059,481	$ 10,044,243	$ (38,067)	$ 11,065,657	$ 11,832,494
Liabilities					
Current					
Accounts payable and accrued liabilities (Note 6)	$ 202,994	$ 26,940	$ -	$ 229,934	$ 1,085,390
Deferred revenue (Note 7)	37,181	-	-	37,181	13,783
Demand loan (Note 8)	-	-	-	-	666,157
	240,175	26,940	-	267,115	1,765,330
Fund balances					
Unrestricted	469,306	-	-	469,306	889,520
Invested in capital assets	-	9,317,303	-	9,317,303	9,212,166
Internally restricted (Note 9)	350,000	700,000	-	1,050,000	290,171
Externally restricted	-	-	(38,067)	(38,067)	(324,693)
	819,306	10,017,303	(38,067)	10,798,542	10,067,164
	$ 1,059,481	$ 10,044,243	$ (38,067)	$ 11,065,657	$ 11,832,494

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	2020 Total	2019 Total
Revenues					
Ministry of Health & Long-Term Care (CE-LHIN)	$ 2,345,848	$ -	$ -	$ 2,345,848	$ 1,804,335
Donations and bequests	853,803	-	266,716	1,120,519	1,563,405
Fundraising	144,081	-	-	144,081	186,562
Interest and investment income	1,102	-	20,080	21,182	35,003
Grants	12,422	-	-	12,422	7,787
	3,357,256	-	286,796	3,644,052	3,597,092
Expenditures					
Remuneration and contract fees	2,160,067	-	-	2,160,067	1,142,239
Office	115,087	-	-	115,087	74,405
Program supplies	111,278	-	-	111,278	28,457
Building occupancy	67,663	-	-	67,663	25,103
Professional fees	36,930	-	-	36,930	10,317
Training and association fees	30,588	-	-	30,588	19,791
Fundraising	26,786	-	170	26,956	45,274
Interest	-	20,936	-	20,936	-
Insurance	19,020	-	-	19,020	4,574
Travel	18,337	-	-	18,337	19,992
Community education and development	5,865	-	-	5,865	17,486
Moving and storage	-	-	-	-	30,000
Amortization	-	299,947	-	299,947	58,608
	2,591,621	320,883	170	2,912,674	1,476,246
Excess (deficiency) of revenues over expenditures for the year	765,635	(320,883)	286,626	731,378	2,120,846
Fund balance, beginning of year	1,179,691	9,212,166	(324,693)	10,067,164	7,946,318
Interfund transfers (Note 4)	(426,020)	426,020	-	-	-
Interfund transfers (Note 9)	(700,000)	700,000	-	-	-
Fund balance, end of year	$ 819,306	$ 10,017,303	$ (38,067)	$ 10,798,542	$ 10,067,164

Hospice Peterborough
Statement of Cash Flows

Year ended March 31	Operating Fund	Capital Asset Fund	Restricted Fund	2020 Total	2019 Total
Increase (decrease) in cash					
Operating					
Excess (deficiency) of revenues over expenditures for the year	$ 765,635	$ (320,883)	$ 286,626	$ 731,378	$ 2,120,846
Add (deduct) items not requiring an outlay of cash:					
Amortization	-	299,947	-	299,947	58,608
In-kind contributions	-	-	-	-	(227,561)
Interfund transfers	(1,126,020)	1,126,020	-	-	-
	(360,385)	1,105,084	286,626	1,031,325	1,951,893
Changes in non-cash working capital items:					
Accounts receivable	375,463	198,666	-	574,129	(511,092)
Prepaid expenses and deposit	7,773	-	-	7,773	(7,625)
Accounts payable and accrued liabilities	(10,080)	(845,377)	-	(855,457)	430,249
Deferred revenue	23,398	-	-	23,398	(23,003)
	36,169	458,373	286,626	781,168	1,840,422
Financing					
Demand loan	-	-	-	-	666,157
Repayment of demand loan	-	(666,157)	-	(666,157)	-
Interfund transfer	284,334	612,868	(897,202)	-	-
	284,334	(53,289)	(897,202)	(666,157)	666,157
Investing					
Additions to capital assets	-	(405,084)	-	(405,084)	(4,670,580)
Increase (decrease) in cash	320,503	-	(610,576)	(290,073)	(2,164,001)
Cash, beginning of year	243,615	-	1,674,555	1,918,170	4,082,171
Cash, end of year	$ 564,118	$ -	$ 1,063,979	$ 1,628,097	$ 1,918,170

See accompanying notes to the financial statements.

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.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

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 internally restricted resources for capital purchases.

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

Revenue and expenditure recognition

Revenues and expenditures are recorded on an accrual basis. The organization follows the restricted method of accounting for contributions.

The Ministry of Health & Long-Term Care (CE-LHIN) provides operating funds which are recorded as revenue in the period to which they relate. Funds approved but not received at the end of the accounting period are accrued. Any unused funds which must be repaid are recorded as a liability.

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.

1. Significant accounting policies, continued

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

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.

Volunteers contribute over 16,000 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.

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 probably 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.

1. Significant accounting policies, continued

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.

2. Financial instruments risks

The organization is exposed to various risks associated with its financial instruments as described below. Unless otherwise noted, there has been no change in risk exposure from the prior year.

(a) **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 3) or the available credit facility (note 8).

2. Financial instruments risks, continued

(b) **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 8).

3. Cash and short-term investments

Cash and short-term investments consist of the following:

	2020	2019
Cash held with chartered banks	$ 543,376	$ 675,656
Cash held with investment companies	7	24,076
Guaranteed investment certificates	-	208,954
Mutual funds - investment savings accounts	1,084,714	1,009,484
	$ 1,628,097	$ 1,918,170

4. 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 $426,020 (2019 - $Nil) from the operating fund to the capital asset fund for capital and certain other expenditures. In 2019, the organization transferred $4,035,174 from the restricted fund to the capital asset fund for capital expenditures.

5. Capital assets

Capital assets and related accumulated amortization are classified as follows:

	2020 Cost	2020 Accumulated Amortization	2019 Cost	2019 Accumulated Amortization
Land	$ 433,750	$ -	$ 433,750	$ -
Building	8,432,606	227,666	8,088,448	16,851
Office furniture and equipment	796,210	137,868	735,284	61,764
Leasehold improvements	-	-	162,251	162,251
Computer equipment	79,247	58,976	79,247	45,948
	9,741,813	424,510	9,498,980	286,814
Net book value	$ 9,317,303		$ 9,212,166	

During the year there were no donations of office furniture and equipment (2019 - $78,908) or building materials (2019 - $148,653).

6. Government remittances

Included in accounts payable and accrued liabilities are government remittances of $68,093 (2019 - $41,601).

7. Deferred revenue

	2020	2019
Hike for Hospice	$ 3,670	$ 12,272
Hospice gala tickets and sponsorships	30,000	-
Handbags for Hospice sponsorship	1,511	1,511
Other	2,000	-
	$ 37,181	$ 13,783

8. Credit facility

The organization has available to it a line of credit in the amount of $500,000 to assist with financing the general operating needs of the organization. It bears interest at the Bank of Canada's prime rate calculated and payable monthly, advances are repayable in the subsequent month, 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. As at March 31, 2020 there is no outstanding balance.

This line of credit was added during the year as an amendment to the existing construction loan that was in place. As at March 31, 2019, $666,157 was outstanding on the loan.

9. Internally restricted fund

The internally restricted fund is comprised of the following:

	2020	2019
Capital Replacement Fund	$ 700,000	$ -
Operational Emergency Fund	350,000	-
General internally restricted funds	-	290,171
	$ 1,050,000	$ 290,171

During the year, the organization approved a transfer of $350,000 from unrestricted funds to the operational emergency fund.

During the year, the organization approved a transfer of $290,171 from the general internally restricted funds and $409,829 from unrestricted funds to the capital replacement fund.

10. 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 $140,000 as at March 31, 2020.

11. Economic dependence

Under the Health Insurance Act (Ontario) and the regulations thereunder, the organization is funded primarily by the Ministry of Health and 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 for the organization's operating activities.

12. Subsequent event

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

As a result of the COVID-19 pandemic, the organization has had to postpone some of their fundraising activities that were scheduled to take place subsequent to year end. While these actions may have an impact on future donations and fundraising revenue, the ultimate impact is unknown at this time. The organization continues to accept new admissions to the palliative care residence and there is no expected impact on revenues from the Ministry of Health & Long Term Care.

The organization has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 have not been adjusted to reflect their impact, if any. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the organization for future periods.