

Hospice Simcoe
Financial Statements
For the year ended March 31, 2016

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Independent Auditor's Report

To the Board of Directors of
Hospice Simcoe

We have audited the accompanying financial statements of Hospice Simcoe, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net assets 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, Hospice Simcoe 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 of the organization. Therefore, we were unable to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2016 and 2015, and to current assets and net assets as at March 31, 2016 and March 31, 2015.

Qualified Opinion

In our opinion, except for the 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 Simcoe as at March 31, 2016 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 enterprises.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

May 16, 2016
Barrie, Ontario

Hospice Simcoe Statement of Financial Position

March 31	2016	2015
Assets		
Current		
Cash and short-term investments (note 2)	\$ 1,088,335	\$ 670,662
Accounts receivable (note 3)	66,005	135,134
Prepaid expenses	25,474	24,881
	1,179,814	830,677
Capital Assets, at cost less accumulated amortization (note 4)	3,933,195	3,604,189
	\$ 5,113,009	\$ 4,434,866

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities	\$ 119,915	\$ 136,447
Government remittances payable	32,327	27,654
Deferred contributions (note 6)	527,149	315,806
	679,391	479,907
Deferred Contributions Related to Capital Assets (note 5)	3,287,765	3,401,315
Commitments (note 11)		
Contingencies (note 7)		
Net Assets		
Internally restricted reserve funds (note 8)	604,456	460,324
Unrestricted	541,397	93,320
	1,145,853	553,644
	\$ 5,113,009	\$ 4,434,866

On behalf of the Board:

_____ Director

_____ Director

Hospice Simcoe Statement of Operations

For the year ended March 31	2016	2015
Revenues		
Ministry of Health and Long-Term Care/LHIN - base funding	\$ 1,024,442	\$ 1,022,050
- one-time	-	802
Donations and fundraising	1,164,543	1,007,776
Amortization of deferred contributions related to capital assets (note 5)	120,147	133,376
Other	31,354	54,137
	2,340,486	2,218,141
Expenses		
Community Programs		
Compensation	167,845	203,359
Supplies	481	1,892
Sundry	11,180	11,923
	179,506	217,174
Residential Hospice/Housekeeping/Linen/Food Services		
Compensation	1,062,517	1,017,326
Supplies	33,705	27,842
Sundry	15,665	11,046
Equipment	9,080	20,057
	1,120,967	1,076,271
Administration		
Compensation	79,591	88,353
Supplies	10,627	8,105
Sundry	130,653	179,435
Equipment	28,568	32,995
	249,439	308,888
Buildings and Grounds		
Compensation	9,940	-
Supplies	54,580	61,049
Sundry	46,540	55,478
Equipment	3,746	4,962
Contracted out services	46,471	59,557
	161,277	181,046

**Hospice Simcoe
Statement of Operations**

For the year ended March 31	2016	2015
Fundraising		
Compensation	\$ 161,127	\$ 103,793
Supplies	75	371
Sundry	86,758	66,453
	<u>247,960</u>	<u>170,617</u>
Total expenses	<u>1,959,149</u>	<u>1,953,996</u>
Excess of revenues over expenses before amortization expense	381,337	264,145
Amortization expense	<u>120,147</u>	<u>133,376</u>
Excess of revenues over expenses for the year	<u>\$ 261,190</u>	<u>\$ 130,769</u>

**Hospice Simcoe
Statement of Changes in Net Assets**

March 31			2016	2015
	Internally Restricted	Unrestricted	Total	Total
	(note 8)			
Balance, beginning of the year	\$ 460,324	\$ 93,320	\$ 553,644	\$ 422,875
Excess of revenues over expenses for the year	-	261,190	261,190	130,769
Interfund transfer (note 8)	144,132	(144,132)	-	-
Deferred contributions used to purchase non-depreciable capital assets (note 6)	-	331,019	331,019	-
Balance, end of the year	\$ 604,456	\$ 541,397	\$ 1,145,853	\$ 553,644

Hospice Simcoe Statement of Cash Flows

For the year ended March 31	2016	2015
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 261,190	\$ 130,769
Charges (credits) to operations not involving cash		
Amortization of capital assets	120,147	133,376
Amortization of deferred contributions related to capital assets	(120,147)	(133,376)
	<u>261,190</u>	<u>130,769</u>
Change in non-cash working capital balances related to operations		
Accounts receivable	69,129	(77,812)
Prepaid expenses	(593)	(14,449)
Accounts payable and accrued liabilities	(16,533)	17,464
Government remittances payable	4,673	(10,866)
Deferred contributions	542,362	149,448
	<u>860,228</u>	<u>194,554</u>
Cash flows from investing activities		
Additions to capital assets	(449,152)	(14,694)
Cash flows from financing activities		
Increase in deferred contributions related to capital assets	6,597	9,173
Net increase in cash and short-term investments during the year	417,673	189,033
Cash and short-term investments, beginning of the year	670,662	481,629
Cash and short-term investments, end of the year	\$ 1,088,335	\$ 670,662
Comprised of:		
Cash	\$ 218,192	\$ 303,967
Guaranteed Investment Certificates (note 2)	870,143	366,695
	<u>\$ 1,088,335</u>	<u>\$ 670,662</u>

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

Hospice Simcoe

Notes to the Financial Statements

For the year ended March 31, 2016

1. Significant Accounting Policies

Nature of Organization	Hospice Simcoe is an incorporated not-for-profit organization without share capital under the Corporations Act (Ontario). The organization offers support to individuals and their families who are facing a life threatening illness or grieving the loss of a loved one. Beginning in December 2009, the organization commenced the operation of a residential hospice providing accommodation and end of life care for individuals with terminal illnesses.
Basis of Accounting	These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.
Use of Estimates	The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations 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. The significant estimates made in the preparation of these financial statements include the estimated useful life of capital assets and the fair value of financial instruments. Actual results could differ from management's best estimates as additional information becomes available in the future.
Revenue Recognition	<p>The organization follows the deferral method of accounting for contributions which includes donations and government subsidies. Operating revenue, including grants and subsidies, are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that future period.</p> <p>Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.</p> <p>Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.</p> <p>Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.</p>

Hospice Simcoe

Notes to the Financial Statements

For the year ended March 31, 2016

1. Significant Accounting Policies (continued)

Pledges	Pledges, which represent promises to donate cash, are not recorded as revenue until collected.								
In-Kind Contributions	<p>Contributions of assets are recognized in the period they are donated at their fair market value.</p> <p>Contributed services are not recognized in the financial statements due to the inherent difficulty in valuing the time of volunteers.</p>								
Capital Assets	<p>Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed assets are recorded at a nominal amount.</p> <p>Amortization is provided on capital assets based on a straight-line basis over their estimated useful lives as follows:</p> <table><tr><td>Building</td><td>40 years</td></tr><tr><td>Computers and software</td><td>3 years</td></tr><tr><td>Furniture and fixtures</td><td>5 years</td></tr><tr><td>Landscaping</td><td>5 years</td></tr></table>	Building	40 years	Computers and software	3 years	Furniture and fixtures	5 years	Landscaping	5 years
Building	40 years								
Computers and software	3 years								
Furniture and fixtures	5 years								
Landscaping	5 years								
Income Taxes	The organization is not subject to federal or provincial income taxes pursuant to exemptions accorded to registered charities in the income tax legislation.								
Pension Plan	The organization applies defined contribution plan accounting to its multi-employer defined benefit plan for which the organization has insufficient information to apply defined benefit plan accounting (see note 10).								

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2016

1. Significant Accounting Policies (continued)

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. 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 expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Impairment of Long Lived Assets

In the event that facts and circumstances indicate that the organization's long lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow is required. The organization considers that no circumstances exist that would require such an evaluation.

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2016

2. Cash and Short-Term Investments

The organization's bank accounts are held at a chartered bank. The bank accounts earn interest at a variable rate dependent on the monthly minimum balances.

Included in cash and short-term investments are Guaranteed Investment Certificates with a total face value of \$870,339 (2015 - \$366,452) and interest rates ranging from 0.95% to 1.25% (2015 - 0.75% to 1.45%) and maturity dates ranging from April 6, 2016 to April 29, 2016 (2015 - April 9, 2015 to June 29, 2015).

In addition, the organization has an operating line of credit facility available in the amount of \$400,000. Any outstanding amount bears interest at the bank's prime rate plus 1% and is secured by a general security agreement, a collateral mortgage representing a first charge on the property at 336 Penetanguishene Road, Barrie, Ontario, and assignment of fire insurance. This facility has not been used during the fiscal year and there is no balance outstanding as at March 31, 2016.

3. Accounts Receivable

	<u>2016</u>	<u>2015</u>
Bequest receivable	\$ -	\$ 92,058
HST receivable	55,686	32,854
Property tax rebates	7,945	7,945
Other receivables	2,374	2,277
	<u>\$ 66,005</u>	<u>\$ 135,134</u>

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2016

4. Capital Assets

	2016		2015	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 645,427	\$ -	\$ 202,872	\$ -
Building	3,949,669	689,615	3,949,669	589,421
Computers and software	39,450	39,450	39,450	39,450
Furniture and fixtures	442,624	423,449	436,027	411,275
Landscaping	112,237	103,698	112,237	95,920
	\$ 5,189,407	\$ 1,256,212	\$ 4,740,255	\$ 1,136,066
Net book value		\$ 3,933,195		\$ 3,604,189

5. Deferred Contributions Related to Capital Assets

Deferred contributions represent the unamortized amount of grants and restricted donations received to be used in the purchase of certain assets or in the settlement of certain obligations. The amortization of these contributions is recorded as revenue in the statement of operations.

	2016	2015
Balance, beginning of year	\$ 3,401,315	\$ 3,525,518
Contribution received from the Ministry of Health and Long-Term Care/LHIN	-	9,173
Contributions received	6,597	-
Amounts amortized to revenue	(120,147)	(133,376)
Balance, end of year	\$ 3,287,765	\$ 3,401,315

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2016

6. Deferred Contributions

Deferred contributions primarily represents unspent externally restricted contributions received for the Capital Campaign for the construction and initial operation of the 10 bed residential hospice. Effective January 31, 2010, the Capital Campaign ceased as the Hospice House was completed and the residential hospice was operational. Subsequent contributions relate primarily to pledges received for the Capital Campaign. Amounts transferred to deferred contributions related to capital assets consist of capital purchases for the residential hospice.

In fiscal 2015, the Board of Directors approved the transfer of the March 31, 2014 balance of \$166,358, representing the unspent externally restricted contributions from the residential hospice Capital Campaign, to the Hummingbird Capital Campaign. This campaign was launched during fiscal 2015 for the purchase of land for future expansion. The contributions received in the current year represent externally restricted donations received to be used for the development of the land.

Changes in the deferred contributions balances are as follows:

	2016	2015
<u>Contributions related to the Capital Campaign</u>		
Balance, beginning of year	\$ -	\$ 166,358
Amounts transferred to deferred contributions related to land expansion project (see below)	-	(166,358)
	-	-
<u>Contributions related to the Hummingbird Capital Campaign</u>		
Balance, beginning of year	\$ 309,963	\$ -
Amounts transferred from deferred contributions related to the capital campaign (see above)	-	166,358
Deferred contributions received	544,519	143,605
Contributions used to purchase non-depreciable capital assets and recorded as a direct increase in unrestricted net assets	(331,019)	-
	523,463	309,963

**Hospice Simcoe
Notes to the Financial Statements**

For the year ended March 31, 2016

6. Deferred Contributions (continued)

	<u>2016</u>	<u>2015</u>
<u>Other contributions</u>		
Balance, beginning of year	\$ 5,843	\$ -
Contributions received for living room repairs	-	16,578
Contributions received for pediatrics	3,875	-
Contributions received for future fundraising events	325	1,350
Amounts recognized as revenue in the year	<u>(6,357)</u>	<u>(12,085)</u>
	<u>3,686</u>	<u>5,843</u>
	<u>\$ 527,149</u>	<u>\$ 315,806</u>

7. Contingency

The organization receives funding from the Ministry of Health and Long-Term Care/Local Health Integration Network (LHIN). The amount of funding provided to the organization is subject to final review and approval by the LHIN. As at the date of these financial statements, funding for the period April 1, 2015 to March 31, 2016 had not been subject to this review process. Any future adjustments required as a result of this review will be accounted for in the year the adjustment is determined.

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2016

8. Internally Restricted Reserve Funds

Operating Reserve Fund

The Board of Directors has established an operating reserve fund for the purpose of covering annual operating deficits or ensuring a steady supply of income in the event of cash flow disruption. The organization will strive to maintain the reserve fund at a balance equal to approximately six months of non-LHIN funded operating costs. The Board of Directors approved the transfer of a portion of the current years surplus of \$155,964 into this reserve fund for the year.

	2016	2015
Balance, beginning of the year	\$ 343,266	\$ 343,266
Transfer from unrestricted net assets	155,964	-
Balance, end of the year	\$ 499,230	\$ 343,266

Hummingbird Capital Reserve Fund

The Board of Directors has established the Hummingbird Capital Reserve Fund for the purpose of future capital projects, renovations and improvements. During the year, land was purchased in the amount of \$448,077 and the previous years fund balance of \$117,058 was used towards the purchase as per the direction of the Board of Directors. In addition, the Board of Directors approved the transfer of a portion of the current years surplus of \$105,226 into this reserve fund for the year.

	2016	2015
Balance, beginning of year	\$ 117,058	\$ -
Transfer from (to) unrestricted net assets	(11,832)	117,058
Balance, end of the year	\$ 105,226	\$ 117,058
 Total Internally Restricted Reserve Funds	 \$ 604,456	 \$ 460,324

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2016

9. Economic Dependence

The organization received 44% (2015 - 46%) of its revenue from the Ministry of Health and Long-Term Care/LHIN.

10. Pension Plan

Healthcare of Ontario Pension Plan (the "Plan") is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on the best estimates of management of the Plan, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The Plan provides pension services to more than 309,079 active and retired members and approximately 494 employers. Substantially all of the full-time employees and some of the part-time employees are members of the Plan. The Plan is a multi-employer plan and therefore the organization's contributions are accounted for as if the Plan were a defined contribution plan with the organization's contributions being expensed in the period they come due. Each year, an independent actuary determines the funding status of the Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2015 disclosed a surplus of \$14,773 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$132,884 million in respect of benefits accrued for service with actuarial assets at that date of \$147,657 million. Because the Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the organization does not recognize any share of the Plan surplus or deficit.

Employer contributions made to the Plan during the year by the organization amount to \$89,629 (2015 - \$80,638) and is included in compensation expense.

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2016

11. Commitments

The organization has entered into operating leases for its office equipment and bed maintenance which extend to 2017 at an annual fee of \$6,352 plus HST.

The organization has entered into an agreement with North Simcoe Muskoka Palliative Care Network for services of the Executive Director which extends to March 31, 2018. Under the terms of the agreement the organization will pay for 50% of the salary and benefits of the Executive Director.

The organization has entered into an agreement with North Simcoe Muskoka Community Care Access Centre to provide accounting services which extends to March 31, 2017. The fee is \$37,000 for the year plus a \$3,600 information technology fee and a \$6,400 server hosting fee. For the year ended March 31, 2016, \$48,035 was paid related to this agreement (2015 - \$41,673).

The organization entered into a contract subsequent to March 31, 2016 with Duivenvoorden Haulage for the construction of the parking lot project for a total cost of \$241,550, including HST. This contract has a substantial completion date in fiscal 2017.

12. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization has an operating line of credit facility available that bears interest at the bank's prime rate plus 1% however there is no balance outstanding on this credit facility. The organization is not exposed to significant interest rate risk due to the short-term maturity of the organization's monetary assets and current liabilities.

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. The organization is also exposed to credit risk arising from its accounts receivable. Credit risk is the risk that the counterparty to the transaction will not pay. The majority of the organization's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding.

There have been no changes to the organization's financial instrument exposure from the prior year.
