

Hospice Simcoe
Financial Statements
For the year ended March 31, 2019

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Independent Auditor's Report

To the Board of Directors of Hospice Simcoe

Qualified Opinion

We have audited the accompanying financial statements of Hospice Simcoe (the organization), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets 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 possible 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, 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, the organization derives revenues 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 and fundraising revenues, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 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 audit 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

Barrie, Ontario
May 13, 2019

**Hospice Simcoe
Statement of Financial Position**

March 31	2019	2018
Assets		
Current		
Cash (note 2)	\$ 218,185	\$ 510,890
HST receivable	36,176	53,167
Prepaid expenses	64,346	54,697
Investments (note 3)	894,479	683,780
	1,213,186	1,302,534
Capital Assets, at cost less accumulated amortization (note 4)	4,417,669	4,437,063
	\$ 5,630,855	\$ 5,739,597

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued liabilities	\$ 106,292	\$ 157,296
Government remittances payable	12,991	33,744
Deferred contributions (note 6)	5,263	149,550
	124,546	340,590
Deferred Contributions Related to Capital Assets (note 5)	3,586,122	3,560,341
Commitments (note 11)		
Contingency (note 7)		
Net Assets		
Internally restricted reserve funds (note 8)	725,000	599,230
Unrestricted	1,195,187	1,239,436
	1,920,187	1,838,666
	\$ 5,630,855	\$ 5,739,597

On behalf of the Board:

_____ Director

_____ Director

Hospice Simcoe Statement of Operations

For the year ended March 31	2019	2018
Revenues		
Ministry of Health and Long-Term Care/LHIN	\$ 1,235,006	\$ 1,195,062
Donations and fundraising	1,324,564	1,281,985
Amortization of deferred contributions related to capital assets (note 5)	139,545	142,418
Other	38,289	20,309
	2,737,404	2,639,774
Expenses		
Community Programs		
Compensation	457,086	303,215
Supplies	717	4,629
Sundry	43,140	28,616
	500,943	336,460
Residential Hospice/Housekeeping/Linen/Food Services		
Compensation	1,063,378	1,048,907
Supplies	36,220	46,440
Sundry	19,289	16,895
Equipment	9,014	20,045
	1,127,901	1,132,287
Administration		
Compensation	221,375	135,504
Supplies	7,341	15,675
Sundry	187,473	148,928
Equipment	63,547	55,194
	479,736	355,301
Buildings and Grounds		
Compensation	68,655	57,646
Supplies	74,267	54,702
Sundry	77,154	53,257
Equipment	3,006	4,524
	223,082	170,129

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

Hospice Simcoe Statement of Operations

For the year ended March 31	2019	2018
Expenses (continued)		
Fundraising		
Compensation	\$ 116,686	\$ 192,399
Supplies	41	-
Sundry	57,876	60,664
	<u>174,603</u>	<u>253,063</u>
Total expenses	<u>2,506,265</u>	<u>2,247,240</u>
Excess of revenues over expenses before amortization expense	231,139	392,534
Amortization expense	<u>149,618</u>	<u>142,418</u>
Excess of revenues over expenses for the year	<u>\$ 81,521</u>	<u>\$ 250,116</u>

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

<u>March 31</u>	<u>2019</u>			<u>2018</u>
	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
	(note 8)			
Balance, beginning of the year	\$ 599,230	\$ 1,239,436	\$ 1,838,666	\$ 1,588,550
Excess of revenues over expenses for the year	-	81,521	81,521	250,116
Interfund transfer (note 8)	<u>125,770</u>	<u>(125,770)</u>	-	-
Balance, end of the year	\$ 725,000	\$ 1,195,187	\$ 1,920,187	\$ 1,838,666

Hospice Simcoe Statement of Cash Flows

For the year ended March 31	2019	2018
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 81,521	\$ 250,116
Charges (credits) to operations not involving cash		
Amortization of capital assets	149,618	142,418
Amortization of deferred contributions related to capital assets	(139,545)	(142,418)
	91,594	250,116
Change in non-cash working capital balances related to operations		
HST receivable	16,991	62,042
Prepaid expenses	(9,649)	34,847
Accounts payable and accrued liabilities	(51,004)	58,459
Government remittances payable	(20,753)	1,359
Deferred contributions	21,039	88,516
	48,218	495,339
Cash flows from investing activities		
Additions to capital assets	(130,224)	(349,200)
Increase in investments	(210,699)	(6,448)
	(340,923)	(355,648)
Net increase (decrease) in cash during the year	(292,705)	139,691
Cash, beginning of the year	510,890	371,199
Cash, end of the year	\$ 218,185	\$ 510,890

Hospice Simcoe

Notes to the Financial Statements

For the year ended March 31, 2019

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

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.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

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.

Hospice Simcoe

Notes to the Financial Statements

For the year ended March 31, 2019

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 equipment</td><td>5 - 15 years</td></tr><tr><td>Landscaping</td><td>5 - 15 years</td></tr><tr><td>Leasehold improvements</td><td>5 years</td></tr><tr><td>Parking lot</td><td>15 years</td></tr></table>	Building	40 years	Computers and software	3 years	Furniture and equipment	5 - 15 years	Landscaping	5 - 15 years	Leasehold improvements	5 years	Parking lot	15 years
Building	40 years												
Computers and software	3 years												
Furniture and equipment	5 - 15 years												
Landscaping	5 - 15 years												
Leasehold improvements	5 years												
Parking lot	15 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, 2019

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, 2019

2. Cash

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.

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, 2019.

3. Investments

	<u>2019</u>	<u>2018</u>
Cash	\$ 31	\$ -
High interest savings account	283,934	-
Investors money maximizer account	65,336	-
Guaranteed investment certificates	540,862	682,786
Accrued interest receivable	4,316	994
	<u>\$ 894,479</u>	<u>\$ 683,780</u>

The organization's high interest savings account and investors money maximizer accounts have interest rates of 1.6% and 0.85% respectively. The guaranteed investment certificates have interest rates of 1.6% to 2.67% (2018 - 0.80% to 1.08%) and maturity dates ranging from April 1, 2019 to January 8, 2020 (2018 - April 4, 2018 to April 30, 2018). The carrying value plus accrued interest of the above investments approximates market value as at March 31, 2019.

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2019

4. Capital Assets

	2019		2018	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 645,427	\$ -	\$ 645,427	\$ -
Building	4,218,919	995,083	3,962,044	891,052
Computers and software	39,450	39,450	39,450	39,450
Furniture and equipment	544,730	459,716	498,007	444,831
Landscaping	257,753	105,234	235,671	75,448
Leasehold improvements	38,364	-	-	-
Parking lot	349,230	76,721	349,230	75,805
Construction in progress	-	-	233,820	-
	\$ 6,093,873	\$ 1,676,204	\$ 5,963,649	\$ 1,526,586
Net book value		\$ 4,417,669		\$ 4,437,063

During fiscal 2018, the organization began the renovation of the nursing station. This project was completed during fiscal 2019 and the amounts previously recorded as construction in progress have been transferred to the appropriate capital asset class and amortization of these amounts have commenced in 2019.

During the year, the organization began renovations to a newly leased space located at 130 Bell Farm Road. These renovations have been recorded as leasehold improvements but no amortization will be recorded until the work is complete and the space is in use.

**Hospice Simcoe
Notes to the Financial Statements**

For the year ended March 31, 2019

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.

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 3,560,341	\$ 3,584,854
Amounts transferred from deferred contributions relating to the parking lot and landscaping capital purchases (note 6)	25,084	117,905
Additional balance transferred from deferred contributions for other capital purchases (note 6)	140,242	-
Amounts amortized to revenue	<u>(139,545)</u>	<u>(142,418)</u>
Balance, end of year	<u>\$ 3,586,122</u>	<u>\$ 3,560,341</u>

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2019

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 from 2016 to 2019 represent externally restricted donations received to be used for the development of the land. In fiscal 2019, the Board of Directors approved the transfer of the balance of \$140,242, representing the unspent externally restricted contributions from the Hummingbird Capital Campaign, to deferred contributions related to capital assets for other capital purchases for the residential hospice.

Changes in the deferred contributions balances are as follows:

	2019	2018
<u>Contributions related to the Hummingbird Capital Campaign</u>		
Balance, beginning of year	\$ 145,993	\$ 174,208
Deferred contributions received	19,333	89,690
Contributions used towards cost of parking lot and landscaping and transferred to deferred contributions related to capital assets (note 5)	(25,084)	(117,905)
Additional amount to be transferred to deferred contributions related to other capital purchases (note 5)	(140,242)	-
	-	145,993

**Hospice Simcoe
Notes to the Financial Statements**

For the year ended March 31, 2019

6. Deferred Contributions (continued)

	<u>2019</u>	<u>2018</u>
<u>Other contributions</u>		
Balance, beginning of year	\$ 3,557	\$ 4,731
Contributions received for future fundraising events	2,756	1,050
Amounts recognized as revenue in the year	<u>(1,050)</u>	<u>(2,224)</u>
	<u>5,263</u>	<u>3,557</u>
	<u>\$ 5,263</u>	<u>\$ 149,550</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, 2018 to March 31, 2019 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, 2019

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. During the year, the Board of Directors approved the transfer of \$125,770 from unrestricted net assets.

	2019	2018
Balance, beginning of the year	\$ 499,230	\$ 499,230
Transfer from unrestricted net assets	125,770	-
Balance, end of the year	\$ 625,000	\$ 499,230

Capital Reserve Fund

The Board of Directors has established the Capital Reserve Fund for the purpose of future capital projects, renovations and improvements. The Board of Directors approved the transfer of \$225,000 to unrestricted net assets in 2018.

	2019	2018
Balance, beginning of year	\$ 100,000	\$ 325,000
Transfer to unrestricted net assets	-	(225,000)
Balance, end of the year	\$ 100,000	\$ 100,000
Total Internally Restricted Reserve Funds	\$ 725,000	\$ 599,230

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2019

9. Economic Dependence

The organization received 45% (2018 - 45%) 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 357,000 active and retired members and approximately 570 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, 2018 disclosed a surplus of \$13,891 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$158,965 million in respect of benefits accrued for service with actuarial assets at that date of \$172,856 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 \$123,122 (2018 - \$111,304) and is included in compensation expense.

Hospice Simcoe Notes to the Financial Statements

For the year ended March 31, 2019

11. Commitments

The organization has entered into an operating lease for its office equipment which extend to September 30, 2022 at an annual fee of \$2,201 plus HST.

The organization has entered into an agreement with Hill Rom to provide bed maintenance which extends to July 20, 2019 at an annual fee of \$1,141 for 2020.

Effective February 1, 2019, the organization has entered into a lease for its premises at 130 Bell Farm Road, expiring on January 31, 2024. The future minimum payments required under this lease are as follows:

Year	Amount
2020	\$ 21,344
2021	21,344
2022	22,599
2023	22,599
2024	<u>22,599</u>
	<u>\$ 110,485</u>

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 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. The organization is also exposed to credit risk arising from its bank and investment accounts being held at financial institutions in excess of the amount insured by agencies of the federal government of \$100,000.

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