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**HOPE HOUSE COMMUNITY HOSPICE**

**FINANCIAL STATEMENTS**

**MARCH 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Members,  
Hope House Community Hospice

### Qualified Opinion

We have audited the financial statements of Hope House Community Hospice which comprise the statement of financial position as at March 31, 2019, and the statements of operations and 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 of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Hope House Community Hospice as at March 31, 2019 and the results of 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 revenue from donations and fundraising revenue, the completeness of which is not susceptible of satisfactory audit verification. Donation and fundraising revenue is therefore limited to the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments to these amounts were necessary 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, 2018 and 2017 and March 31, 2019 and 2018.

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.

### 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 Hope House Community Hospice'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 Hope House Community Hospice or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Hope House Community Hospice's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT (continued)

### **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 Hope House Community Hospice'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 Hope House Community Hospice's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your 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 Hope House Community Hospice 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable related safeguards.

*Cowperthwaite Mehta*

Chartered Professional Accountants  
Licensed Public Accountants  
July 22, 2019  
Toronto, Ontario



# HOPE HOUSE COMMUNITY HOSPICE

## STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2019

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>REVENUE</b>   |                   |                   |
| Special events (note 9)  | \$ 479,513        | \$ -              |
| Government funding (note 7)                                      | 209,155           | 179,132           |
| Charity Gaming (note 9)  | 47,831            | 45,672            |
| Donations and other fundraising (note 8)                         | 40,074            | 62,514            |
| Other revenue  | <u>6,097</u>      | <u>1,923</u>      |
|  | <u>782,670</u>    | <u>289,241</u>    |
| <b>EXPENSES</b>  |                   |                   |
| Personnel  | 265,556           | 235,935           |
| Special events and other fundraising                             | 123,558           | 4,253             |
| Occupancy  | 59,819            | 45,490            |
| Program related  | 40,425            | 36,319            |
| Administration   | 27,809            | 31,645            |
| Promotion and outreach   | 5,091             | 4,437             |
| Amortization   | <u>16,221</u>     | <u>8,528</u>      |
|  | <u>538,479</u>    | <u>366,607</u>    |
| <b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR</b> | 244,191           | (77,366)          |
| Net assets, beginning of year                                    | <u>511,712</u>    | <u>589,078</u>    |
| <b>NET ASSETS, END OF YEAR</b>                                   | <u>\$ 755,903</u> | <u>\$ 511,712</u> |

see accompanying notes

# HOPE HOUSE COMMUNITY HOSPICE

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

|   | 2019              | 2018              |
|---|-------------------|-------------------|
| <b>OPERATING ACTIVITIES</b>                               |                   |                   |
| Excess (deficiency) of revenue over expenses for the year | \$ 244,191        | \$ (77,366)       |
| Add item not involving cash: Amortization                 | 16,221            | 8,528             |
| Change in non-cash working capital items                  |                   |                   |
| (Increase) decrease in accounts receivable                | (290)             | 2,028             |
| (Increase) decrease in sales tax rebates receivable       | 3,350             | (2,199)           |
| (Increase) decrease in prepaid expenses                   | (2,934)           | 1,299             |
| Increase in accounts payable and accrued liabilities      | 823               | 5,993             |
| Increase (decrease) in deferred contributions             | <u>(29,500)</u>   | <u>26,034</u>     |
| Cash generated by (used in) operating activities          | <u>231,861</u>    | <u>(35,683)</u>   |
| <b>FINANCING ACTIVITIES</b>                               |                   |                   |
| Increase (decrease) in leased equipment - copier          | <u>(2,139)</u>    | <u>13,435</u>     |
| <b>INVESTING ACTIVITIES</b>                               |                   |                   |
| Purchase of property and equipment                        | (3,206)           | (71,371)          |
| Purchase of short-term investments                        | <u>(305,606)</u>  | <u>(250,219)</u>  |
| Cash used in investing activities                         | <u>(308,812)</u>  | <u>(321,590)</u>  |
| <b>NET DECREASE IN CASH FOR THE YEAR</b>                  | (79,090)          | (343,838)         |
| Cash, beginning of year                                   | <u>232,694</u>    | <u>576,532</u>    |
| <b>CASH, END OF YEAR</b>                                  | <u>\$ 153,604</u> | <u>\$ 232,694</u> |

see accompanying notes

# HOPE HOUSE COMMUNITY HOSPICE

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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In June 2017, the Board of Directors approved changing the name of the organization to Hope House Community Hospice (the "organization") and changed the letters patent accordingly (formerly known as Hospice King-Aurora). The organization was incorporated on May 20, 1983 without share capital under the laws of Ontario. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

It is a volunteer based organization that provides specialized support to those living with life threatening illness, the people who care for them and those who are bereaved. The organization serves the communities of south Aurora, King Township and Richmond Hill.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Financial instruments

Financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. Cash is measured at fair value. All other financial instruments are recorded at cost.

#### Property and equipment

Furniture, equipment and leasehold improvement purchases are recorded at cost. Amortization is provided annually at a rate calculated to write-off assets over the estimated useful lives as follows:

|                               |  |
|-------------------------------|--|
| Equipment and furniture       | - 5 years straight line basis              |
| Equipment under capital lease | - straight line over the life of the lease |
| Leasehold improvements        | - 10 years straight line basis             |

#### Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) The organization follows the deferral method of revenue recognition. Restricted grants and donations for specified purposes or programs are recorded as deferred contributions until the provisions of the grants or donations are satisfied, at which time they are recognized as revenue.
- ii) Unrestricted revenue, consisting of fundraising and donations, is recorded when funds are received.
- iii) Donated materials and services which are normally purchased by the organization are not recorded in the accounts. In 2019, individuals and organizations donated goods valued at \$2,158 in support of the Jitterbug Ball fundraising event and programs (2018 - \$498 for Ladybug).
- iv) Investment income is recognized as earned.

# HOPE HOUSE COMMUNITY HOSPICE

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Measurement uncertainty

The preparation of these financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the report period.

Accounts payable and accrued liabilities represent management's best estimate of the amount to be paid. The amount of exposure at year end was not determinable.

#### Contributed services

Being a volunteer based organization, volunteers assist in delivery of its programs and administrative functions. Because of the difficulty of determining the fair value of these services, they are not recognized in the financial statements.

### 2. CASH AND SHORT-TERM INVESTMENTS

A portion of cash and short-term investments is restricted due to external restrictions imposed by funding agencies and reserve funds set aside by the Board of Directors for future contingencies.

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| Restricted                                   |                   |                   |
| - Charity Gaming                             | \$ 8,349          | \$ 12,950         |
| - Deferred revenue                           | 4,200             | 33,700            |
| - Contingency reserve                        | 250,000           | 250,000           |
| Unrestricted cash and short-term investments | <u>446,880</u>    | <u>(63,956)</u>   |
| Total cash and short-term investments        | <u>\$ 709,429</u> | <u>\$ 232,694</u> |

Charity Gaming - restrictions require cash to be used for direct programming and educational expenses. The restriction has been recently amended to include a portion of the wage expense of the programming staff. These programs include Adult Bereavement, Caregiver Support, Child and Youth Bereavement, Complementary Therapies, Compassion, Library resources, Promotion and Community Education and Volunteer Education. These funds are regulated by the Ontario Lottery and Gaming Commission and are subject to regular review and approval.

Deferred contributions - restrictions require cash to be used for the purposes specified by the contributor that are unspent at the end of the fiscal year.

Contingency reserve - The Board of Directors established a contingency reserve in the amount of \$250,000 to be used in the event of unforeseen expenses and/or reductions of funding.

### 3. SHORT-TERM INVESTMENTS

Short-term investments of \$555,825 consist of guaranteed investment certificates (GICs) held at a major Canadian chartered bank that earn interest of 1.55% - 2.25% and mature within one year.



# HOPE HOUSE COMMUNITY HOSPICE

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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### 4. RISK MANAGEMENT

Financial instruments expose the organization to risks which may affect the cash flows of the organization. Specifically:

*Interest rate risk* results from fluctuations in market interest rates. The organization holds fixed rate Guaranteed Investment Certificates and fluctuations in market interest rates do not affect future cash flows.

*Liquidity risk* is the risk that the organization will not be able to meet its obligations associated with financial liabilities. The organization's objectives with respect to managing its capital is to preserve net assets and deliver services to the community at no less than a breakeven basis over two years. This reflects the bi-annual nature of the organization's major fundraiser "Jitterbug Ball", which is intended to carry the organization through the non-Jitterbug Ball year. As at March 31, 2019, the organization had met its objective of having sufficient liquid resources to meet its current obligations.

### 5. PROPERTY AND EQUIPMENT

Property and equipment, recorded at cost, is as follows:

|                        | Cost             | Accumulated<br>Amortization | 2019<br>Net      | 2018<br>Net      |
|------------------------|------------------|-----------------------------|------------------|------------------|
| Equipment & furniture  | \$ 30,923        | \$ (11,654)                 | \$ 19,269        | \$ 23,554        |
| Leasehold improvements | <u>43,655</u>    | <u>(13,096)</u>             | <u>30,559</u>    | <u>39,289</u>    |
|                        | <u>\$ 74,578</u> | <u>\$ (24,750)</u>          | <u>\$ 49,828</u> | <u>\$ 62,843</u> |

### 6. DEFERRED CONTRIBUTIONS

Deferred contributions are restricted for special events, music and children's programs, volunteer training, workshops and reference materials. Deferred contributions are from the following sources:

|                | 2019            | 2018             |
|----------------|-----------------|------------------|
| Special events | <u>\$ 4,200</u> | <u>\$ 33,700</u> |

Activity recorded during the year in deferred contributions is set out below:

|   | 2019            | 2018             |
|---|-----------------|------------------|
| Deferred contributions, beginning of year               | \$ 33,700       | \$ 7,666         |
| Add cash received from restricted contributions in year | 4,200           | 33,700           |
| Less funding recognized in year (note 7)                | <u>(33,700)</u> | <u>(7,666)</u>   |
| Deferred contributions, end of year                     | <u>\$ 4,200</u> | <u>\$ 33,700</u> |

# HOPE HOUSE COMMUNITY HOSPICE

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### 7. GOVERNMENT FUNDING

Government funding recognized in the year is as follows:

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| Ministry of Health - Better Living Home and Community Services | \$ 203,795        | \$ 175,304        |
| Government of Canada - HRSDC                                   | 3,360             | 3,078             |
| Other  | <u>2,000</u>      | <u>750</u>        |
|  | <u>\$ 209,155</u> | <u>\$ 179,132</u> |

### 8. DONATIONS AND OTHER FUNDRAISING

Donations and other fundraising revenue is from the following sources:

|                                | 2019             | 2018             |
|--------------------------------|------------------|------------------|
| Donations                      |                  |                  |
| Individuals                    | \$ 7,716         | \$ 12,106        |
| Foundations                    | 5,000            | 5,616            |
| Other                          | 4,387            | 19,127           |
| Third-party fundraising events | 22,971           | 11,315           |
| Ladybug                        | <u>-</u>         | <u>14,350</u>    |
|                                | <u>\$ 40,074</u> | <u>\$ 62,514</u> |

### 9. SPECIAL EVENTS

The organization raises operating capital from two major fundraising sources. Funds raised from the Jitterbug Ball are unrestricted and internally designated for general operations. Funds raised through Charity Gaming are restricted as previously described in note 2.

|                | 2019              | 2018             |
|----------------|-------------------|------------------|
| Jitterbug Ball |                   |                  |
| Revenue        | \$ 479,513        | \$ -             |
| Expenses       | <u>(121,620)</u>  | <u>-</u>         |
|                | <u>\$ 357,893</u> | <u>\$ -</u>      |
| Charity Gaming |                   |                  |
| Revenue        | \$ 47,831         | \$ 45,672        |
| Expenses       | <u>(1,560)</u>    | <u>(1,898)</u>   |
|                | <u>\$ 46,271</u>  | <u>\$ 43,774</u> |

# HOPE HOUSE COMMUNITY HOSPICE

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### 10. COMMITMENTS

The organization entered into a lease contract for photocopy equipment until September 2021 costing \$4,000 per annum.

The organization leases commercial office space in Aurora and Richmond Hill, Ontario. The lease agreements expire in 2020 and 2022. Rent is set annually by the landlord based on estimated operating costs.

Minimum lease payments for premises are as follows:

|      |                   |
|------|-------------------|
| 2020 | \$ 60,700         |
| 2021 | 43,200            |
| 2022 | 37,200            |
| 2023 | <u>10,000</u>     |
|      | <u>\$ 151,100</u> |