HOSPICE WELLINGTON

(A Not-for-Profit Organization)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

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BDO Canada LLP
512 Woolwich Street
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Independent Auditor's Report

To The Members of Hospice Wellington

We have audited the accompanying financial statements of Hospice Wellington, which comprise the statement of financial position as at March 31, 2017, and the statement 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 an audit to obtain reasonable assurance whether the financial statements are free of 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 Organization'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 purposes of expressing an opinion on the effectiveness of the Organization'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, the Organization derives revenue from donations and cash receipts, 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. We were unable to determine whether any adjustments might be necessary to revenues other than grants, excess of revenues over expenses, assets and net assets.

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 Wellington as at March 31, 2017, 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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Guelph, Ontario
June 13, 2017

HOSPICE WELLINGTON
(A Not-for-Profit Organization)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2017

	CURRENT FUND	PROPERTY & EQUIPMENT FUND	2017 TOTAL	2016 TOTAL (note 4)
ASSETS				
CURRENT				
Cash (note 2)	$ 2,143,303	$ 0	$ 2,143,303	$ 1,439,533
Accounts receivable	57,118	0	57,118	22,277
Prepaid expenses	43,110	0	43,110	34,413
	2,243,531	0	2,243,531	1,496,223
PROPERTY & EQUIPMENT (note 3)	0	4,310,717	4,310,717	4,419,807
	$ 2,243,531	$ 4,310,717	$ 6,554,248	$ 5,916,030
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 112,011	$ 0	$ 112,011	$ 92,378
LONG TERM				
Deferred revenue (note 6)	1,994,569	1,796,666	3,791,235	5,221,392
TOTAL LIABILITIES	$ 2,106,580	$ 1,796,666	$ 3,903,246	$ 5,313,770
NET ASSETS				
NET ASSETS				
Invested in property & equipment	$ 0	$ 2,514,051	$ 2,514,051	$ 574,398
Unrestricted	136,951	0	136,951	(155,103)
Restricted	0	0	0	182,965
	136,951	2,514,051	2,651,002	602,260
	$ 2,243,531	$ 4,310,717	$ 6,554,248	$ 5,916,030

APPROVED BY THE BOARD:

Barbara Dlinkie Director

Sara Petweil Director

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

HOSPICE WELLINGTON
(A Not-for-Profit Organization)
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2017

	CURRENT FUND	PROPERTY & EQUIPMENT FUND	RESERVE FUND	2017 TOTAL	2016 TOTAL (note 4)
NET ASSETS					
Opening balance, as previously stated	$ (155,103)	$ 2,335,231	$ 182,965	$ 2,363,093	$ 538,468
Prior period restatement (note 4)	-	(1,760,833)	-	(1,760,833)	-
Balance, beginning of the year, adjusted	(155,103)	574,398	182,965	602,260	538,468
Accounting adjustment (note 5)	182,965	1,984,575	(182,965)	$ 1,984,575	0
Adjusted balance	$ 27,862	$ 2,558,973	$ 0	$ 2,586,835	$ 538,468
Excess (deficiency) of revenues over expenditures	148,095	(83,928)	0	64,167	63,792
	175,957	2,475,045	0	2,651,002	602,260
Purchase of property & equipment	(39,006)	39,006	0	0	0
Balance at end of the year	$ 136,951	$ 2,514,051	$ 0	$ 2,651,002	$ 602,260

HOSPICE WELLINGTON
(A Not-for-Profit Organization)
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2017

	CURRENT FUND	PROPERTY & EQUIPMENT FUND	2017 TOTAL	2016 TOTAL (note 4)
REVENUE				
Grants	$ 1,477,159	$ 0	$ 1,477,159	$ 1,256,070
Donations	541,917	64,167	606,084	654,919
Fundraising	300,197	0	300,197	202,004
Other income	36,181	0	36,181	53,706
Programs	11,801	0	11,801	20,220
Interest	10,365	0	10,365	10,214
	2,377,620	64,167	2,441,787	2,197,133
EXPENDITURES				
Residential wages and benefits	1,097,392	0	1,097,392	1,071,974
Other wages and benefits	612,321	0	612,321	464,353
Depreciation	0	148,095	148,095	141,520
Residential operating	125,305	0	125,305	114,455
Fundraising	87,092	0	87,092	48,260
Office and general	73,317	0	73,317	71,276
Advertising and promotion	50,382	0	50,382	43,968
Utilities	40,444	0	40,444	36,785
Repairs and maintenance	33,250	0	33,250	3,686
Community services	25,480	0	25,480	17,272
Accounting	22,535	0	22,535	21,763
Campaign expenses	14,893	0	14,893	8,231
Audit and legal fees	12,987	0	12,987	11,370
Insurance	11,552	0	11,552	11,429
Education	9,534	0	9,534	9,017
Membership dues	6,163	0	6,163	2,645
Bank charges and interest	5,652	0	5,652	8,861
Municipal taxes	1,226	0	1,226	1,938
Interest on loan payable	0	0	0	44,538
	2,229,525	148,095	2,377,620	2,133,341
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES for the year	$ 148,095	$ (83,928)	$ 64,167	$ 63,792

HOSPICE WELLINGTON
(A Not-for-Profit Organization)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	2017 TOTAL	2016 TOTAL
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ 64,167	$ 63,792
Items not involving cash		
Depreciation on property and equipment	148,095	141,520
	212,262	205,312
Changes in non-cash working capital items		
Short-term investments	0	1,029,789
Accounts receivable	(34,841)	4,396
Prepaid expenses	(8,697)	11,957
Accounts payable and accrued liabilities	19,634	2,426
Deferred revenue (note 6)	554,418	1,586,394
	742,776	2,840,274
INVESTING ACTIVITIES		
Purchase of property and equipment	(39,006)	(20,541)
FINANCING ACTIVITIES		
Repayment of long-term debt	0	(1,939,583)
NET INCREASE IN CASH	703,770	880,150
CASH, BEGINNING OF YEAR	1,439,533	559,383
CASH, END OF YEAR	$ 2,143,303	$ 1,439,533

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

1. SIGNIFICANT ACCOUNTING POLICIES

(a) NATURE OF ORGANIZATION

Hospice Wellington (the "Organization") is a registered charity incorporated without share capital under the provisions of the Ontario Business Corporations Act and is exempt from income tax. The Organization is committed to providing programs that support a dignified transition from diagnosis to end of life. Hospice Wellington carries out its programs through the hearts and skills of trained volunteers and staff.

(b) FUND ACCOUNTING

The activities of the Organization are carried out through the following funds:

Current Fund

The Current Fund accounts for the ongoing operations of the Organization and the revenue and expenditures of its programs.

Property & Equipment Fund

The Property & Equipment Fund reports the activities of the entity related to its capital assets.

(c) CONTRIBUTED SERVICES

Volunteers contribute a significant amount of time per year to assist the Organization in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(d) REVENUE RECOGNITION

Hospice Wellington follows the deferral method of accounting for contributions (contributions are defined as grant, donation, fundraising, program and other revenue). Under this method:

- Contributions restricted for use on facilities or programming are deferred and recognized as revenue in the year in which the related expenses are incurred.
- Contributions externally restricted to the acquisition of property and equipment are initially recorded as deferred contributions in the year in which they are received and are amortized to revenue over the useful life of the related assets.
- Unrestricted contributions are recognized when received.

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) PROPERTY & EQUIPMENT

Property & equipment are recorded at cost. Depreciation is calculated using the straight line method over the assets' estimated useful lives as follows:

Building	40 years
Equipment	5 years
Office furniture and equipment	5 years
Computer equipment and software	3 years

(f) FINANCIAL INSTRUMENTS

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, 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.

2. CASH

The Organization owns a savings account that pays interest on the monthly minimum balance at a rate of 0.8% on balances between $50,000 - $999,999 and 1% on balances above $1,000,000. Additional interest of 0.15% is paid monthly on the difference between the minimum balance and the average balance.

3. PROPERTY AND EQUIPMENT

Property, plant and equipment consists of the following:

	COST	ACCUM. DEPR'N	2017 NET BOOK VALUE	2016 NET BOOK VALUE
Land	$ 203,185	$ 0	$ 203,185	$ 203,185
Building	5,107,548	1,052,210	4,055,338	4,180,629
Equipment	566,718	535,751	30,967	20,187
Office furniture and equipment	87,937	87,937	0	0
Computer equipment and software	91,337	70,110	21,227	15,806
	$ 6,056,725	$ 1,746,008	$ 4,310,717	$ 4,419,807

4. CORRECTION OF PRIOR PERIOD ERROR

During the year ended March 31, 2016 it had been decided to treat donations received for the purposes of repaying the mortgage on the building as income of the Property & Equipment Fund. Subsequently, it was decided that the proper treatment is to defer these revenues and bring them into income over the remaining life of the building. As a result, donation revenues for the year ended March 31, 2016 were reduced from $1,825,000 to $64,167 and the difference of $1,760,833 was added to the deferred revenue balance. Net assets in the Property and Equipment Fund were reduced by the same amount.

5. AMALGAMATION OF PROPERTY & EQUIPMENT FUND AND RESERVE FUND

Prior to 2017, the Organization had divided its activities related to the raising of funds for capital or future purposes between two funds, being the Property & Equipment Fund and the Reserve Fund. The intention was always to merge these two funds once activities related to constructing the building were completed. This year, the Board of Directors has decided to complete the amalgamation of the two funds as originally contemplated. This has resulted in the following changes to opening net assets and deferred revenues:

As at April 1, 2016 deferred revenues were decreased by $1,984,575 to recognize that these funds had been invested in capital assets and the opening balance of net assets invested in capital assets was increased by the same amount. The opening balance of unrestricted net assets was increased by $182,965 and the opening balance of restricted net assets was decreased by an equal amount. Revenues deferred for future purposes are now reflected in the current fund. Donations received for the purposes of funding the repayment of the mortgage on the building ($1,925,000) have been deferred in the Property & Equipment fund and will be amortized into income on the same basis as the building is being depreciated. Net income was not affected by these adjustments.

6. DEFERRED REVENUE

Deferred revenue in the Current Fund consists of the following:

a) Funding received from The Waterloo Wellington Community Care Access Centre for nursing and personal support wages. $93,463 (2016 - $81,802) is the monthly advance for April 2017, which was received in March 2017.

b) $25,499 (2016 - $31,150) in ticket sales for the Runway Gala taking place on May 6, 2017.

c) Deferred revenue related to the Futures Campaign (and previously, the Building on Compassionate Care Campaign) represents donations received that are in excess of expenses incurred for the planned campaigns and facilities.

	2017	2016
Opening balance (note 4)	$ 5,108,440	$ 3,556,054
Adjustment for amalgamation of funds (note 5)	(1,984,575)	0
Transfer to Property & Equipment fund (note 5)	(1,860,833)	0
Donations and grants received	900,053	1,909,320
Expenses incurred and donations recognized as revenue	(287,478)	(356,934)
	$ 1,875,607	$ 5,108,440

Deferred revenue in the Property & Equipment fund relates to the repayment of the mortgage on the building is being deferred and amortized into income over the life of the building. During the year ended March 31, 2017, $64,167 was recognized in income leaving a deferred revenue balance of $1,796,666.

7. FINANCIAL INSTRUMENTS

The Organization's principal financial instrument is cash. The main purpose of this financial instrument is to finance and maintain the Organization's operations. The Organization has other financial instruments such as accounts receivable and accounts payable and accrued liabilities which arise directly from its operations. The main risks arising from the Organization's financial instruments are interest rate risk, liquidity risk and credit 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 is exposed to interest rate cash flow risk related primarily to cash. The risk has not changed from the previous year.

Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from its accounts payable, accrued liabilities and deferred revenue. The risk has not changed from the previous year.

Credit Risk

The Organization is exposed to concentrations of credit risk related primarily to accounts receivable from government organizations. The risk is mitigated by the strong collectibility factor inherent in government contributions. The risk has not changed from the prior year.