

Chatham Kent Hospice Inc.

Financial Statements

Year ended March 31, 2017



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors of Chatham Kent Hospice Inc.

I have audited the accompanying financial statements of Chatham Kent Hospice Inc. which comprise the statement of financial position at as March 31, 2017 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on my judgment, including assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I consider internal controls relevant to the entity's preparation and fair presentation 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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion



In common with many charitable organizations, the Corporation derives its revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of donations revenue was limited to the amounts recorded in the records of the Corporation and I was not able to determine whether any adjustment might be necessary to revenue, excess of revenue over expenditures, assets, liabilities and net assets.

Chatham Kent Hospice Inc.
Statement of Financial Position
March 31, 2017

	2017	2016
Assets		
Current assets		
Cash	\$ 614,318	\$ 549,323
Short term investment	-	598,934
Government taxes recoverable	69,508	334,196
Accounts receivable	357,944	31,807
Prepaid expenses	<u>10,467</u>	<u>-</u>
	1,052,237	1,514,260
Capital assets (note 2)	<u>4,639,114</u>	<u>4,702,619</u>
	<u>\$ 5,691,351</u>	<u>\$ 6,216,879</u>
Liabilities and Net Assets		
Current Liabilities		
Short term debt (note 3)	\$ 389,632	\$ -
Accounts payable and accrued liabilities	105,495	1,436,778
Deferred contributions (note 4)	<u>312,258</u>	<u>77,482</u>
	807,385	1,514,260
Deferred capital contributions (note 5)	4,639,114	4,702,619
Net assets	<u>244,852</u>	<u>-</u>
Commitments (note 6)	<u>\$ 5,691,351</u>	<u>\$ 6,216,879</u>

See accompanying notes to financial statements

Approved on Behalf of the Board


 _____ Director

 _____ Director

Chatham Kent Hospice Inc.
Statement of Operations and Changes in Net Assets
Year ended March 31, 2017

	2017	2016
Revenue		
Donations	\$ 176,341	\$ 178,247
Provincial funding	1,126,509	197,854
Municipal grant (note 7)	335,000	160,000
Investment	3,729	30,016
License fee	13,600	329
Distribution from Chatham-Kent Hospice Foundation (note 8)	327,184	-
Amortization of deferred capital contributions	<u>147,715</u>	<u>-</u>
	2,130,078	566,446
Expenditures		
Salaries and wages	1,221,595	418,946
Fundraising	14,152	64,849
Amortization	147,715	-
Memberships and licenses	33,437	2,569
Advertising and promotion	25,881	2,909
Interest and bank charges	20,479	5,429
Insurance	11,815	1,184
Office expenses	30,578	9,386
Training expense	10,819	16,446
Health and safety	4,830	-
Professional fees	10,413	12,867
Medical supplies	28,832	-
Dietary	18,858	-
Laundry and linen	10,010	-
Repairs and maintenance	22,242	844
Telephone	9,768	-
Travel expenses	1,566	5,120
Utilities	45,642	9,794
Volunteer	11,804	5,130
Computer-related expenses	28,449	10,973
Distribution to Chatham-Kent Hospice Foundation (note 8)	<u>176,341</u>	<u>-</u>
	1,885,226	566,446
Excess of revenue over expenditures (note 9)	244,852	-
Net assets, beginning of year	<u>-</u>	<u>-</u>
Net assets, end of the year	<u>\$ 244,852</u>	<u>\$ -</u>

See accompanying notes to financial statements

Chatham Kent Hospice Inc.

Statement of Cash Flow

Year ended March 31, 2017

	2017	2016
Cash Provided by (used for)		
Operations		
Excess of revenue over expenditures	\$ 244,852	\$ -
Items not requiring an outlay of cash		
Amortization	147,715	-
Amortization of deferred capital contributions	<u>(147,715)</u>	<u>-</u>
	244,852	-
Changes in non-cash operating working capital		
Decrease (increase) in government taxes recoverable	264,688	(317,143)
Increase in accounts receivable	(326,137)	(13,439)
Increase in prepaid expenses	(10,467)	-
Increase (decrease) in accounts payable and accrued liabilities	(1,331,283)	1,401,578
Increase (decrease) in deferred contributions	<u>234,776</u>	<u>(3,482,188)</u>
	(923,571)	(2,411,192)
Investing		
Sale of short term investment	598,934	2,367,066
Purchase of capital assets	<u>(84,210)</u>	<u>(4,568,156)</u>
	<u>514,724</u>	<u>(2,201,090)</u>
Financing		
Deferred capital contributions	84,210	4,568,156
Short term debt	<u>389,632</u>	<u>-</u>
	<u>473,842</u>	<u>4,568,156</u>
Increase (decrease) in cash	64,995	(44,126)
Cash, beginning of year	<u>549,323</u>	<u>593,449</u>
Cash, end of year	<u>\$ 614,318</u>	<u>\$ 549,323</u>

See accompanying notes to financial statements

Chatham Kent Hospice Inc.

Notes to Financial Statements

Year ended March 31, 2017

Chatham Kent Hospice Inc. is incorporated without share capital under the laws of Ontario. Our vision is to provide a home-like setting, deeply embedded in our community where people in end of life transition and those who love and support them, have access to outstanding care and bereavement support. We work in cooperation with highly skilled volunteers, service providers and colleagues to promote life and enhance its quality. Our mission is to provide care that changes how families live the important experiences near the end of life. The Corporation is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

1. Summary of Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Canada Handbook - Accounting.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions, which include donations and government grants. Under this method restricted contributions are recognized in the year the corresponding expenditure is incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as amortization expense.

License fee revenue is recognized in the period in which the premises are rented from the Corporation.

Unrestricted investment income is recognized as revenue when it is earned.

Cash

Cash consists of amounts on deposit. For financial instrument purposes cash has been classified as held for trading.

Capital assets

Capital assets are recorded at cost. Capital assets will be amortized as follows:

Building	3% declining balance
Furniture and equipment	3 to 10 years straight line

Financial instruments classification

Short term investments have been classified as held-to-maturity. Accounts receivables have been classified as loans and receivables and are reported at amortized cost using effective interest method. Accounts payable and accrued liabilities have been classified as other and are reported at amortized cost using effective interest method.

Chatham Kent Hospice Inc.

Notes to Financial Statements

Year ended March 31, 2017

1. Summary of Significant Accounting Policies (continued)

The preparation of financial statements in conformity 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, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual amounts could differ from those estimates.

Gifts in kind

Donations of gifts in kind are recorded at fair market value.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining fair value, contributed services are not recognized in the financial statements.

2. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Building	\$ 4,073,491	\$ 101,837	\$ 3,971,654	\$ 4,087,780
Equipment	<u>713,338</u>	<u>45,878</u>	<u>667,460</u>	<u>614,839</u>
	<u>\$ 4,786,829</u>	<u>\$ 147,715</u>	<u>\$ 4,639,114</u>	<u>\$ 4,702,619</u>

3. Short term debt

Subsequent to the year end, the Corporation has negotiated a loan to replace the existing short term debt. The new loan is for \$389,632. Repayment terms are \$190,000 by June 30, 2017, and annual repayments of \$100,000 on June 30, 2018 and June 30, 2019. Interest is payable monthly at prime rate minus .25%.

4. Deferred Contributions

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 77,482	\$ 3,559,671
Less: amounts recognized as deferred capital contributions in the year	(77,482)	(4,568,156)
Plus: amount received related to the following year	<u>312,258</u>	<u>1,085,967</u>
Balance, end of year	<u>\$ 312,258</u>	<u>\$ 77,482</u>

Chatham Kent Hospice Inc.

Notes to Financial Statements

Year ended March 31, 2017

5. Deferred capital contributions

Deferred capital contributions related to capital assets represent the unamortized funds received from donors and the Ontario Trillium Foundation for the construction of the Hospice and purchase of furnishings and equipment. They will be amortized on the same method and rates as capital assets and recorded as income in the statement of operations.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 4,702,619	\$ 134,463
Amount received during the year	84,210	4,568,156
Less: amount recognized as revenue in the year	<u>(147,715)</u>	<u>-</u>
Balance, end of year	<u>\$ 4,639,114</u>	<u>\$ 4,702,619</u>

6. Commitments

On February 5, 2015, the Corporation signed a land lease for twenty years to lease the land the Hospice has been constructed on for \$1 per annum.

On September 30, 2015, the Corporation granted a licensee the right to use parts of the Premises. The license fee is for five years commencing March 23, 2016 at \$11,000 per annum plus an 8% proportionate share of janitorial, maintenance and parking.

7. Municipality of Chatham-Kent

The Corporation of the Municipality of Chatham-Kent has agreed to provide a grant for for the construction and operation of a community residential hospice of \$335,000 annually to August 2019

8. Related party transactions

The Chatham-Kent Hospice Foundation is responsible for all fundraising activities carried out on behalf of the Chatham-Kent Hospice. During the year the Foundation granted \$327,184 to the Corporation to assist with their capital and other initiatives. During the year the Corporation transferred \$176,341 of donations to the Foundation.

The Corporation provides administrative services for the Foundation and pays certain expenses on behalf of the Foundation. During the year the Foundation reimbursed the Corporation for expenses paid in the amount of \$ 68,736.

These transactions are measured at the exchange amounts at the date of contribution.

Included in accounts receivable is an amount due from the Chatham-Kent Hospice Foundation in the amount of \$336,213.

Chatham Kent Hospice Inc.

Notes to Financial Statements

Year ended March 31, 2017

9. Excess of revenue over expenditures

The Chatham-Kent Hospice Foundation has advanced the funds to make the payment on the short term debt of \$200,000 on June 30, 2017.

10. Financial Risks

There have been no change to the risk exposure from 2016.

Liquidity risk

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating requirements. The Corporation prepares budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Interest rate risk

The Corporation is exposed to interest rate risk on its fixed rate financial instrument. Fixed-interest instruments subject the Corporation to a fair value risk.