



Grant Thornton

Financial Statements

The Dr. Bob Kemp Hospice Foundation Inc.

March 31, 2012

Contents

	Page
Independent Auditor's Report	1 - 2
Statements of Operations and Changes in Net Assets	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 11

Independent Auditor's Report

Grant Thornton LLP
33 Main Street East
Hamilton, ON
L8N 4K5

T +1 905 523 7732
F +1 905 572 9333
www.GrantThornton.ca

To the Board of Directors of
The Dr. Bob Kemp Hospice Foundation Inc.

We have audited the accompanying financial statements of The Dr. Bob Kemp Hospice Foundation Inc., which comprise the statement of financial position as at March 31, 2012, and the statements of operations and 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 generally accepted accounting principles, 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 Foundation'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 Foundation'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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Independent Auditor's Report (continued)

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and special events, 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 Foundation and we were not able to determine whether any adjustments might be necessary to revenue, deficiency of revenue over expenses and net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of The Dr. Bob Kemp Hospice Foundation Inc. for the year ended March 31, 2011 were audited by another auditor who expressed a qualified opinion on those statements related to the completeness of donations and special events revenue on March 23, 2012.

Grant Thornton LLP

Hamilton, Canada
June 5, 2012

Chartered Accountants
Licensed Public Accountants

The Dr. Bob Kemp Hospice Foundation Inc. Statements of Operations and Changes in Net Assets

Year ended March 31	2012	2011
Revenue		
Grants	\$ 1,258,390	\$ 888,928
Donations	596,222	595,450
Special events	543,107	429,760
Other	8,864	580
	2,406,583	1,914,718
Expenses		
Wages and benefits	1,776,658	1,704,576
Special events	201,915	139,152
Programs and services	79,600	52,391
Utilities	64,195	57,791
Repairs and maintenance	42,952	31,702
Office	40,939	24,622
Advertising and promotion	24,812	24,840
Professional fees	20,271	10,095
Conference and memberships	18,156	15,711
Travel	16,737	14,234
Insurance	14,154	13,018
Interest and bank charges	8,942	8,677
	2,309,331	2,096,809
Excess (deficiency) of revenue over expenses before other items	97,252	(182,091)
Other items		
Amortization of property and equipment	237,143	254,778
Amortization of deferred capital contribution	(75,000)	(75,000)
Unrealized (gain) loss on investments	(750)	36,057
Investment income	(485)	(3,200)
Gain on disposal of investments	-	(35,308)
	160,908	177,327
Deficiency of revenue over expenses	\$ (63,656)	\$ (359,418)
Net assets, beginning of year	\$ 3,693,644	\$ 4,053,062
Deficiency of revenue over expenses	(63,656)	(359,418)
Net assets, end of year	\$ 3,629,988	\$ 3,693,644

See accompanying notes to the financial statements.

The Dr. Bob Kemp Hospice Foundation Inc. Statement of Financial Position

March 31	2012	2011
Assets		
Current		
Cash	\$ 124,855	\$ 44,369
Investments (Note 3)	180,565	179,363
Accounts receivable	28,240	21,434
Prepaid expenses	<u>42,154</u>	<u>37,062</u>
	375,814	282,228
Property and equipment (Note 4)	<u>4,777,378</u>	<u>4,973,044</u>
	<u>\$ 5,153,192</u>	<u>\$ 5,255,272</u>
<hr/>		
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 94,306	\$ 63,541
Deferred revenue	<u>78,898</u>	<u>73,087</u>
	173,204	136,628
Deferred capital contribution (Note 5)	<u>1,350,000</u>	<u>1,425,000</u>
	<u>1,523,204</u>	<u>1,561,628</u>
 Net assets		
Unrestricted	152,610	95,600
Externally restricted (Note 6)	50,000	50,000
Invested in property and equipment (Note 7)	<u>3,427,378</u>	<u>3,548,044</u>
	<u>3,629,988</u>	<u>3,693,644</u>
	<u>\$ 5,153,192</u>	<u>\$ 5,255,272</u>

On behalf of the board

_____ Director

_____ Director

See accompanying notes to the financial statements.

The Dr. Bob Kemp Hospice Foundation Inc. Statement of Cash Flows

Year ended March 31	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating		
Deficiency of revenue over expenses	\$ (63,656)	\$ (359,418)
Amortization of property and equipment	237,143	254,778
Amortization of deferred capital contribution	<u>(75,000)</u>	<u>(75,000)</u>
	98,487	(179,640)
Change in non-cash working capital items		
Accounts receivable	(6,806)	(11,353)
Prepaid expenses	(5,092)	1,151
Accounts payable and accrued liabilities	30,765	11,279
Deferred revenue	<u>5,811</u>	<u>23,352</u>
	123,165	<u>(155,211)</u>
Investing		
Investments	(1,202)	154,063
Purchase of property and equipment	<u>(41,477)</u>	<u>(15,995)</u>
	(42,679)	138,068
Increase (decrease) in cash	80,486	(17,143)
Cash		
Beginning of year	<u>44,369</u>	<u>61,512</u>
End of year	\$ 124,855	\$ 44,369

See accompanying notes to the financial statements.

The Dr. Bob Kemp Hospice Foundation Inc.

Notes to the Financial Statements

March 31, 2012

1. Nature of operations

The Dr. Bob Kemp Hospice Foundation Inc. is a not-for-profit organization operating as a registered charity within the meaning assigned in Section 149 of the Income Tax Act, and as a result, is exempt from income tax. The organization's purpose is to provide palliative care in a free standing hospice located in the Hamilton region.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The significant policies are detailed as follows:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are made. Unrestricted contributions from donations and special events are recognized as revenue when received.

Both investment and grant revenue are recognized as earned.

Contributions for property and equipment are included as deferred capital contributions and are amortized to revenue at the rate specified in the funding agreement.

Financial instruments

The Foundation has chosen to apply Canadian Institute of Chartered Accountants' Handbook section 3861: Financial Instruments - Disclosure and Presentation in place of sections 3862: Financial Instruments - Disclosures and 3863: Financial Instruments - Presentation.

Investments classified as held-for-trading are initially recorded at fair value. They are subsequently valued at fair value as determined by published bid price quotations in an active market. Unrealized gains and losses on held-for-trading financial assets are included in investment income and recognized as revenue in the statement of operations.

The Dr. Bob Kemp Hospice Foundation Inc.

Notes to the Financial Statements

March 31, 2012

2. Significant accounting policies (continued)

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Contributed property and equipment are recorded at fair value at the date of their contribution. Property and equipment are amortized over the estimated useful lives of the related assets at the following rates:

Buildings	4% Declining balance
Furniture and fixtures	20% Declining balance
Computer equipment	30% Declining balance
Vehicles	30% Declining balance
Computer software	100% Declining balance

The organization regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use. In the year of acquisition, one-half of the applicable rate is applied.

Donated material and services

The organization records the fair value of donated materials and services, determined based on arm's length market values, which they would normally have incurred as operating expenses with the exception of volunteer time.

Donated capital and investments are recorded at their fair value on the date of the donation.

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. These estimates are reviewed periodically and adjustments are made to income in the year in which they become known.

Items subject to significant management estimates include estimated useful lives of property and equipment.

Future change in accounting standards

The Canadian Institute of Chartered Accountants recently issued recommendations for generally accepted accounting standards for not-for-profit organizations (ASNPO) for fiscal years beginning on or after January 1, 2012. Management is currently assessing the impact of these new standards and has not yet determined the effect on the organization's financial statements.

The Dr. Bob Kemp Hospice Foundation Inc. Notes to the Financial Statements

March 31, 2012

3. Investments

The organization's investments consist of:

	<u>2012</u>	<u>2011</u>
Mutual funds	\$ 129,866	\$ 129,116
Guaranteed investment certificates	<u>50,699</u>	<u>50,247</u>
	<u>\$ 180,565</u>	<u>\$ 179,363</u>

4. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 490,000	\$ -	\$ 490,000	\$ 490,000
Buildings	4,798,607	794,789	4,003,818	4,157,185
Furniture and fixtures	707,467	441,505	265,962	309,402
Computer equipment	52,266	40,362	11,904	9,454
Vehicles	8,239	3,337	4,902	7,003
Computer software	<u>6,824</u>	<u>6,032</u>	<u>792</u>	<u>-</u>
	<u>\$ 6,063,403</u>	<u>\$ 1,286,025</u>	<u>\$ 4,777,378</u>	<u>\$ 4,973,044</u>

The Dr. Bob Kemp Hospice Foundation Inc.

Notes to the Financial Statements

March 31, 2012

5. Deferred capital contribution

	<u>2012</u>	<u>2011</u>
Hamilton Future Fund		
Balance, beginning of year	\$ 1,425,000	\$ 1,500,000
Amortization of deferred capital contribution	<u>(75,000)</u>	<u>(75,000)</u>
Balance, end of year	<u>\$ 1,350,000</u>	<u>\$ 1,425,000</u>

During the 2007 fiscal year the organization received an interest free loan from the City of Hamilton. The proceeds of this loan were used on the construction of the Dr. Bob Kemp Hospice facility. In March 2011 the City of Hamilton forgave the loan. The capital contribution will be amortized over a 20 year period which is the term outlined by the City of Hamilton.

In accordance with the forgiven loan agreement with the City of Hamilton, if the operation of the Hospice ceases due to bankruptcy, wind up or dissolution, a writ of execution becomes binding against the building, the building is disposed of without the City of Hamilton's approval or the building is used for other than hospice services, the entire amount of the initial grant will become repayable.

The capital contribution is secured by a lien on the land and building.

6. Externally restricted net assets

The externally restricted net assets represent contributions made for a capital project which has not yet been expended.

7. Invested in property and equipment

Net assets invested in property and equipment are calculated as follows:

	<u>2012</u>	<u>2011</u>
Property and equipment	\$ 4,777,378	\$ 4,973,044
Less: deferred capital contribution	<u>(1,350,000)</u>	<u>(1,425,000)</u>
	<u>\$ 3,427,378</u>	<u>\$ 3,548,044</u>

The Dr. Bob Kemp Hospice Foundation Inc.

Notes to the Financial Statements

March 31, 2012

8. Donations in-kind

These financial statements include special events expense of \$57,000 and programs and services costs of \$5,000 representing donations in-kind which have been recorded at their fair value. The offsetting contributions have been recorded in special events revenue and donations, respectively.

9. Financial instruments

Fair Value

The Foundation's financial instruments include cash, accounts receivable and accounts payable and accrued liabilities. The carrying value of these instruments approximates their fair value due to their immediate or short-term liquidity.

In addition, financial instruments include held-for-trading investments which are recorded at their fair value.

Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held. The organization is exposed to price risk through its investments quoted in active markets.

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 risk primarily through its floating interest rate credit facilities.

10. Credit facilities

The Foundation's credit facilities include a line of credit in the amount of \$150,000, secured by the building bearing interest at prime plus 0.75% per annum. As at year end, the amount outstanding on this credit facility is \$nil.

The Dr. Bob Kemp Hospice Foundation Inc.

Notes to the Financial Statements

March 31, 2012

11. Capital disclosures

In managing capital, the Foundation focuses on liquid resources available for operations. Its objective is to have sufficient liquid resources to continue operating in accordance with its mission despite adverse financial events and to provide it with the flexibility to take advantage of opportunities. The need for sufficient liquid resources is considered in the preparation of an annual budget, the monitoring of cash flows, the comparison of actual operating results to budget and ensuring adherence with the approved investment policy. There have not been any changes to the Foundation's capital management strategy during the year.

12. Comparative figures

Certain of the comparative figures have been reclassified to conform to changes in the financial statement presentation adopted for the current year.
