Financial Statements of

THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Year ended March 31, 2019

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the accompanying financial statements of The Dr. Bob Kemp Hospice Foundation Inc. (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its financial performance 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 Entity derives revenue from 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statement of financial position as at March 31, 2019
- the fundraising revenues and excess of revenues over expenses reported in the statement of operations and changes in net assets for the year ended March 31, 2019
- the net assets reported in the statement of operations and changes in net assets for the year ended March 31, 2019
- the excess of revenues over expenses reported in the statement of cash flows for the year ended March 31, 2019

Our opinion on the financial statements for the year ended March 31, 2019 was qualified 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 "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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 the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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.

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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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors report. However, future events or conditions may cause the Entity 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.

- 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.

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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 4, 2019

THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	$ 670,213	$ 573,577
Accounts receivable (note 2)	52,432	38,948
Prepaid expenses	62,029	77,504
Designated internal funds - Camp Erin (note 3)	66,871	59,469
Contingency internal reserve investments (note 4)	1,063,341	939,898
	1,914,886	1,689,396
Property and equipment (note 5)	3,880,110	3,928,277
	$ 5,794,996	5,617,673
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 111,675	$ 157,392
Deferred revenue (note 7)	289,765	375,903
	401,440	533,295
Deferred revenue – Camp Erin (note 8)	69,922	57,485
	471,362	590,780
Deferred capital contributions (note 9)	1,000,161	983,490
Net assets:		
Unrestricted	380,183	158,718
Internally restricted – contingency reserve (note 10)	1,063,341	939,898
Invested in property and equipment (note 11)	2,879,949	2,944,787
	4,323,473	4,043,403
Commitments (note 14)		
	$ 5,794,996	$ 5,617,673

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Member

______________________________ Member

THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenues:		
Grants	$ 1,540,853	$ 1,475,710
Donations	892,817	817,261
Special events	469,504	405,492
Other	87,063	30,884
	2,990,237	2,729,347
Expenses:		
Wages and benefits	1,960,120	1,869,674
Advertising and promotion	91,405	87,630
Interest and bank charges	27,031	14,218
Insurance	18,634	11,943
Office expense	34,103	21,583
Professional development	5,798	18,074
Professional fees	107,218	45,966
Program and services	114,137	123,283
Repairs and maintenance	55,986	63,603
Travel	8,081	5,910
Special events	205,128	166,184
Utilities	48,771	48,159
	2,676,412	2,476,227
Excess of revenues over expenses before the undernoted items	313,825	253,120
Other expenses (income):		
Amortization of property and equipment	170,486	171,431
Amortization of deferred capital contributions	(92,410)	(84,750)
Interest income	(25,295)	(9,419)
Unrealized (gain) loss on investments	(19,283)	13,505
Realized loss on investments	257	2,644
Donation to the Hamilton Community Foundation	-	10,000
	33,755	103,411
Excess of revenues over expenses	280,070	149,709
Net assets, beginning of year	4,043,403	3,893,694
Net assets, end of year	$ 4,323,473	$ 4,043,403

See accompanying notes to financial statements.

THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 280,070	$ 149,709
Items not involving cash:		
Amortization of property and equipment	170,486	171,431
Amortization of deferred capital contributions	(92,410)	(84,750)
Unrealized (gain) loss on investments	(19,283)	13,505
Changes in non-cash operating working capital:		
Accounts receivable	(13,484)	(14,372)
Prepaid expenses	15,475	(46,974)
Accounts payable and accrued liabilities	(45,717)	40,304
Deferred revenue	(73,701)	259,727
	221,436	488,580
Financing:		
Contributions received for property and equipment	109,081	53,152
Investing:		
Purchase of investments	(275,203)	(375,934)
Proceeds on disposal of investments	93,563	70,571
Purchase of property and equipment	(122,319)	(72,891)
	(303,959)	(378,254)
Increase in cash	26,558	163,478
Cash, beginning of year	822,333	658,855
Cash, end of year	$ 848,891	$ 822,333
Cash consists of:		
Cash	$ 670,213	$ 573,577
Cash – internally restricted - Camp Erin	66,871	59,469
Cash – internally restricted - contingency reserve (note 4)	111,807	189,287

See accompanying notes to financial statements.

The Dr. Bob Kemp Hospice Foundation Inc. (the "Foundation") 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 Foundation's purpose is to provide palliative care in a free standing hospice located in the Hamilton region.

1. Significant accounting policies:

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Handbook. The Foundation's significant accounting policies are as follows:

(a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions which include donations, grants and special events.

Contributions from donations and special events that are unrestricted are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Grants approved but not received at the end of an accounting period are accrued.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate of the related property and equipment.

Both investment income and revenue are recognized as earned.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

1. Significant accounting policies (continued):

(b) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying amount of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement.

(c) Contributed goods and services:

The Foundation 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.

(d) Property and equipment:

Property and equipment are stated at cost, less accumulated amortization. Property and equipment are amortized over the estimated useful lives of the related assets. Amortization is provided using the declining balance method and following annual rates:

	Rate
Building	4%
Furniture and fixtures	20%
Computer equipment	30%
Computer software	100%

The carrying amount of an item of property and equipment is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset’s carrying amount is not recoverable and exceeds its fair value.

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of the 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts of property and equipment, investments and accrued liabilities. Actual results could differ from those estimates.

2. Accounts receivable:

	2019	2018
HST rebate receivable	$ 36,968	$ 28,643
Interest income receivable	336	8,212
Other receivable – grant income	15,128	2,093
	$ 52,432	$ 38,948

3. Designated funds - Camp Erin:

Designated funds - Camp Erin is for the use in operations of Camp Erin and is comprised of:

	2019	2018
Cash	$ 66,871	$ 59,469

4. Contingency internal reserve investments:

Contingency internal reserve investments are internally restricted by the Board of Directors and are comprised of the following:

	2019		2018	
	Book value	Market value	Book value	Market value
Cash and cash equivalents	$ 111,807	$ 111,807	$ 189,287	$ 189,287
Fixed income	18,253	18,253	55,902	55,902
Mutual funds	424,088	424,088	357,993	357,993
Equities	528,476	509,193	350,221	336,716
	$ 1,082,624	$ 1,063,341	$ 953,403	$ 939,898

5. Property and equipment:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 490,000	$ -	$ 490,000	$ 490,000
Building	5,053,955	1,821,127	3,232,828	3,267,681
Furniture and fixtures	853,740	705,207	148,533	158,086
Computer equipment	78,271	69,522	8,749	12,510
	$ 6,475,966	$ 2,595,856	$ 3,880,110	$ 3,928,277

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $22,047 (2018 - $39,511), which includes amounts payable for payroll related taxes.

7. Deferred revenue:

Deferred revenue related to expenses of future periods is comprised of unspent externally restricted grants and donations for specific programs.

	2019	2018
Balance, beginning of year	$ 375,903	$ 130,978
Add: grants and donations raised	384,114	469,553
Less: funds used for operations	(470,252)	(224,628)
	$ 289,765	$ 375,903

8. Deferred revenue – Camp Erin:

Deferred revenue related to expenses of future periods for Camp Erin is comprised of unspent externally restricted donations.

	2019	2018
Balance, beginning of year	$ 57,485	$ 42,683
Add: donations raised	121,046	160,288
Less: funds used for operations	(108,609)	(145,486)
	$ 69,922	$ 57,485

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The change in the deferred capital contributions balance is as follows:

	2019	2018
Balance, beginning of year	$ 983,490	$ 1,015,088
Add: capital contributions received in the year	109,081	53,152
Less: amortization of deferred capital contributions	(92,410)	(84,750)
	$ 1,000,161	$ 983,490

During the 2007 fiscal year the Foundation received a $1.5 million interest free loan from the City of Hamilton. The proceeds of this loan were used on the construction of the Foundation's 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. The amortization of this contribution in the year amounted to $75,000 (2018 - $75,000).

In accordance with the forgiven loan agreement with the City of Hamilton, if the operation of the Foundation 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.

10. Internally restricted – contingency reserve:

In 2015 the Foundation established an internally restricted contingency reserve for use for specific capital initiatives and other provisions as established in the policies of the Board of Directors. During the year the Foundation transferred $275,203 (2018 - $38,166) to the contingency reserve. Interest and dividends were earned on the investments during the year totaling $25,295. The reserve is not available for other purposes without approval of the Board of Directors.

11. Invested in property and equipment

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

	2019	2018
Property and equipment (note 5)	$ 3,880,110	$ 3,928,277
Amounts financed by deferred capital contributions (note 9)	(1,000,161)	(983,490)
	$ 2,879,949	$ 2,944,787

12. Credit facilities:

The Foundation's credit facilities include a line of credit in the amount of $200,000, bearing interest at prime plus 0.75% per annum. As at year end, this credit facility is unused (2018 - $nil).

These facilities are secured by a general security agreement constituting a first ranking security interest in all property of the Foundation.

13. Donations in-kind

These financial statements include donations in-kind of $13,033 (2018 - $19,064) recorded in office, special events, programs and services and Camp Erin expenses at their fair value. The offsetting contributions have been recorded in donations, special events and Camp Erin revenue.

14. Commitments:

Annual lease commitments for equipment and other service agreements are as follows:

2020	$ 2,758
2021	900
2022	528
2023 and thereafter	264

15. Financial risk:

(a) 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 Foundation is exposed to price risk through its investments quoted in active markets. There has been no change to the risk exposures from 2018.

(b) 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 Foundation is exposed to interest rate risk primarily through its floating interest rate credit facilities. There has been no change to the risk exposures from 2018.

(c) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

16. Comparative figures:

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