

Financial Statements of

**THE DR. BOB KEMP  
HOSPICE FOUNDATION INC.**

Year ended March 31, 2016



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## INDEPENDENT AUDITORS' REPORT

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, 2016, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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 Dr. Bob Kemp Hospice Foundation Inc. derives revenue from fundraising activities and donations, 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 Dr. Bob Kemp Hospice Foundation Inc. Therefore we were not able to determine whether, as at or for the years ended March 31, 2016 and March 31, 2015 any adjustments might be necessary to revenues, and excess of revenues over expenses reported in the statement of operations, excess of revenues and expenses reported in the statements of cash flows and current assets and unrestricted net assets and restricted net assets reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2015.

*Qualified Opinion*

In our opinion, except for the possible 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 The Dr. Bob Kemp Hospice Foundation Inc. as at March 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

June 7, 2016

Hamilton, Canada

# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

## Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Cash	\$ 357,873	\$ 98,417
Accounts receivable (note 2)	25,025	27,034
Prepaid expenses	32,540	24,781
	415,438	150,232
Designated funds - Camp Erin (note 3)	76,232	87,004
Contingency reserve investments (note 4)	454,654	251,919
	946,324	489,155
Property and equipment (note 5)	4,164,600	4,321,104
	\$ 5,110,924	\$ 4,810,259

## Liabilities and Net Assets

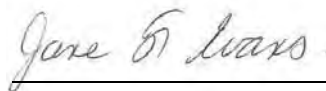
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 156,684	\$ 131,221
Deferred revenue	147,243	67,614
	303,927	198,835
Camp Erin deferred revenue	76,232	87,004
	380,159	285,839
Deferred capital contributions (note 7)	1,070,852	1,138,535
Net assets:		
Unrestricted	111,511	(48,603)
Internally restricted – contingency reserve (note 8)	454,654	251,919
Invested in property and equipment (note 9)	3,093,748	3,182,569
	3,659,913	3,385,885
Commitments (note 12)		
	\$ 5,110,924	\$ 4,810,259

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, 2016, with comparative information for 2015

	2016	2015
Revenues:		
Grants	\$ 1,287,511	\$ 1,281,998
Donations	949,633	871,982
Special events	465,318	452,403
Other	10,703	13,398
	<hr/> 2,713,165	<hr/> 2,619,781
Expenses:		
Wages and benefits	1,917,629	1,794,295
Advertising and promotion	47,659	43,178
Interest and bank charges	12,820	13,102
Insurance	11,062	9,367
Office expense	24,776	43,626
Professional development	8,557	12,624
Professional fees	11,186	30,110
Program and services	49,649	48,778
Repairs and maintenance	45,015	42,829
Travel	9,621	7,107
Special events	148,982	136,290
Utilities	51,641	56,829
	<hr/> 2,338,597	<hr/> 2,238,135
Excess of revenues over expenses before the undernoted items	374,568	381,646
Other expenses (income):		
Amortization of property and equipment	181,775	192,496
Amortization of deferred capital contributions	(76,745)	(75,419)
Interest income	(2,743)	(2,425)
Camp Erin - revenues	(38,536)	(76,150)
Camp Erin - expenses	36,789	59,194
	<hr/> 100,540	<hr/> 97,696
Excess of revenues over expenses	274,028	283,950
Net assets, beginning of year	3,385,885	3,101,935
Net assets, end of year	<hr/> \$ 3,659,913	<hr/> \$ 3,385,885

See accompanying notes to financial statements.

# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 274,028	\$ 283,950
Items not involving cash:		
Amortization of property and equipment	181,775	192,496
Amortization of deferred capital contributions	(76,745)	(75,419)
Changes in non-cash operating working capital:		
Accounts receivable	2,009	3,568
Prepaid expenses	(7,759)	335
Accounts payable and accrued liabilities	25,463	15,779
Deferred revenue	68,857	(118,470)
	467,628	302,239
Financing:		
Contributions received for property and equipment	9,062	13,954
Investing:		
Purchase of investments	(302,735)	(146,618)
Proceeds on disposal of investments	140,400	-
Purchase of property and equipment	(25,271)	(28,219)
	(187,606)	(174,837)
Increase in cash	289,084	141,356
Cash, beginning of year	145,021	3,665
Cash, end of year	\$ 434,105	\$ 145,021
Cash consists of:		
Cash	\$ 357,873	\$ 98,417
Cash – Camp Erin	76,232	46,604

See accompanying notes to financial statements.

# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Notes to Financial Statements

Year ended March 31, 2016

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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. The Foundation has not elected to carry any such financial 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.

# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 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:

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

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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.



# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 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 and accrued liabilities. Actual results could differ from those estimates.

## 2. Accounts receivable:

	2016	2015
HST rebate receivable	\$ 22,503	\$ 25,445
Interest income receivable	336	336
Other receivable - LHIN	2,186	1,253
	<u>\$ 25,025</u>	<u>\$ 27,034</u>

## 3. Designated funds - Camp Erin:

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

	2016	2015
Cash	\$ 76,232	\$ 46,604
Guaranteed investment certificates	-	40,400
	<u>\$ 76,232</u>	<u>\$ 87,004</u>

# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 4. Contingency reserve investments:

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

	2016		2015	
Mutual funds	\$	454,654	\$	151,919
Guaranteed investment certificates		-		100,000
	\$	454,654	\$	251,919

## 5. Property and equipment:

	2016		2015	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 490,000	\$ -	\$ 490,000	\$ 490,000
Building	4,939,997	1,411,027	3,528,970	3,670,309
Furniture and fixtures	749,066	608,228	140,838	154,744
Computer equipment	58,670	53,878	4,792	6,051
Computer software	7,327	7,327	-	-
	\$ 6,245,060	\$ 2,080,460	\$ 4,164,600	\$ 4,321,104

## 6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$18,927 (2015 - \$15,427), which includes amounts payable for payroll related taxes.

# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 7. 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:

	2016	2015
Balance, beginning of year	\$ 1,138,535	\$ 1,200,000
Capital contributions received in the year	9,062	13,954
Less: amortization of deferred capital contributions	(76,745)	(75,419)
	<u>\$ 1,070,852</u>	<u>\$ 1,138,535</u>

During the 2007 fiscal year the Foundation 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.

## 8. 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 \$202,735 (2015 - \$251,919) to the contingency reserve. The reserve is not available for other purposes without approval of the Board of Directors.

# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 9. Invested in property and equipment:

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

	2016	2015
Property and equipment (note 5)	\$ 4,164,600	\$ 4,321,104
Amounts financed by deferred capital contributions (note 7)	(1,070,852)	(1,138,535)
	<u>\$ 3,093,748</u>	<u>\$ 3,182,569</u>

## 10. 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 (2015 - NIL).

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

## 11. Donations in-kind

These financial statements include donations in-kind of \$15,889 (2015 - \$13,017) 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.

## 12. Commitments:

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

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2016	\$	8,823
2017		3,286
2018		3,286
2019		2,758
2020 and thereafter		2,602

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# THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 13. 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 2015.

### (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 2015.

### (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 2015.