Financial Statements of

THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Year ended March 31, 2017

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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, 2017, 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, 2017 and March 31, 2016 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, 2017.

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, 2017, 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

Chartered Professional Accountants, Licensed Public Accountants

June 7, 2017

Hamilton, Canada

THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 316,172	$ 357,873
Accounts receivable (note 2)	24,576	25,025
Prepaid expenses	30,530	32,540
	371,278	415,438
Designated funds - Camp Erin (note 3)	42,683	76,232
Contingency reserve investments (note 4)	758,753	454,654
	1,172,714	946,324
Property and equipment (note 5)	4,026,817	4,164,600
	$ 5,199,531	$ 5,110,924
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 6)	$ 117,088	$ 156,684
Deferred revenue (note 7)	130,978	147,243
	248,066	303,927
Deferred revenue – Camp Erin (note 8)	42,683	76,232
	290,749	380,159
Deferred capital contributions (note 9)	1,015,088	1,070,852
Net assets:		
Unrestricted	123,212	111,511
Internally restricted – contingency reserve (note 10)	758,753	454,654
Invested in property and equipment (note 11)	3,011,729	3,093,748
	3,893,694	3,659,913
Commitments (note 14)		
	$ 5,199,531	$ 5,110,924

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, 2017, with comparative information for 2016

	2017	2016
Revenues:		
Grants	$ 1,467,353	$ 1,287,511
Donations	750,235	949,633
Special events	393,047	465,318
Other	14,044	10,703
	2,624,679	2,713,165
Expenses:		
Wages and benefits	1,848,220	1,917,629
Advertising and promotion	53,295	47,659
Interest and bank charges	12,064	12,820
Insurance	13,432	11,062
Office expense	27,995	24,776
Professional development	16,281	8,557
Professional fees	22,782	11,186
Program and services	60,163	49,649
Repairs and maintenance	49,877	45,015
Travel	7,222	9,621
Special events	140,996	148,982
Utilities	59,787	51,641
	2,312,114	2,338,597
Excess of revenues over expenses before the undernoted items	312,565	374,568
Other expenses (income):		
Amortization of property and equipment	173,479	181,775
Amortization of deferred capital contributions	(78,689)	(76,745)
Interest income	(3,405)	(2,743)
Camp Erin - revenues	(56,934)	(38,536)
Camp Erin - expenses	44,333	36,789
	78,784	100,540
Excess of revenues over expenses	233,781	274,028
Net assets, beginning of year	3,659,913	3,385,885
Net assets, end of year	$ 3,893,694	$ 3,659,913

See accompanying notes to financial statements.

THE DR. BOB KEMP HOSPICE FOUNDATION INC.

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 233,781	$ 274,028
Items not involving cash:		
Amortization of property and equipment	173,479	181,775
Amortization of deferred capital contributions	(78,689)	(76,745)
Changes in non-cash operating working capital:		
Accounts receivable	449	2,009
Prepaid expenses	2,010	(7,759)
Accounts payable and accrued liabilities	(39,596)	25,463
Deferred revenue	(49,814)	68,857
	241,620	467,628
Financing:		
Contributions received for property and equipment	22,925	9,062
Investing:		
Purchase of investments	(4,099)	(302,735)
Proceeds on disposal of investments	-	140,400
Purchase of property and equipment	(35,696)	(25,271)
	(39,795)	(187,606)
Increase in cash	224,750	289,084
Cash, beginning of year	434,105	145,021
Cash, end of year	$ 658,855	$ 434,105
Cash consists of:		
Cash	$ 316,172	$ 357,873
Cash – Camp Erin	42,683	76,232
Cash – contingency reserve (note 4)	300,000	-

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. 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.

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

2. Accounts receivable:

	2017	2016
HST rebate receivable	$ 21,201	$ 22,503
Interest income receivable	336	336
Other receivable - LHIN	3,039	2,186
	$ 24,576	$ 25,025

3. Designated funds - Camp Erin:

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

	2017	2016
Cash	$ 42,683	$ 76,232
	$ 42,683	$ 76,232

4. Contingency reserve investments:

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

	2017	2016
Cash	$ 300,000	$ -
Mutual funds	458,753	454,654
	$ 758,753	$ 454,654

5. Property and equipment:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	$ 490,000	$ -	$ 490,000	$ 490,000
Building	4,951,361	1,552,410	3,398,951	3,528,970
Furniture and fixtures	772,340	638,723	133,617	140,838
Computer equipment	59,727	55,478	4,249	4,792
	$ 6,273,428	$ 2,246,611	$ 4,026,817	$ 4,164,600

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $36,426 (2016 - $18,927), 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.

	2017	2016
Balance, beginning of year	$ 147,243	$ 67,614
Add: grants and donations raised	147,301	157,236
Less: funds used for operations	(163,566)	(77,607)
	$ 130,978	$ 147,243

8. Deferred revenue – Camp Erin:

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

		2017		2016
Balance, beginning of year	$	76,232	$	87,004
Add: donations raised		17,540		27,764
Less: funds used for operations		(51,089)		(38,536)
	$	42,683	$	76,232

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:

		2017		2016
Balance, beginning of year	$	1,070,852	$	1,138,535
Add: capital contributions received in the year		22,925		9,062
Less: amortization of deferred capital contributions		(78,689)		(76,745)
	$	1,015,088	$	1,070,852

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.

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 $300,000 (2016 - $202,735) to the contingency reserve. Interest was earned on the investments during the year totaling $4,099. 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:

	2017	2016
Property and equipment (note 5)	$ 4,026,817	$ 4,164,600
Amounts financed by deferred capital contributions (note 9)	(1,015,088)	(1,070,852)
	$ 3,011,729	$ 3,093,748

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 (2017 - $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 $25,902 (2016 - $15,889) 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:

2018	$ 3,286
2019	2,758
2020	2,230
2021 and thereafter	372

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 2016.

(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 2016.

(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 2016.