The Dr. Bob Kemp Hospice Foundation Inc.

Financial Statements

March 31, 2021

PM

T 905 522 6555 F 905 522 6574 6th Floor, One James Street South Hamilton ON L8P 4R5

June 1, 2021

Independent Auditor's Report

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

Qualified Opinion

We have audited the financial statements of The Dr. Bob Kemp Hospice Foundation Inc. (the "Foundation"), which comprise the statement of financial position as at March 31, 2021, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of The Dr. Bob Kemp Hospice Foundation Inc. as at March 31, 2021, 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and 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 Foundation. 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, 2021 and the donations and fundraising revenues, excess of revenues over expenses and net assets reported in the statement of operations and changes in net assets and the excess of revenues over expenses reported in the statement of cash flows for the year ended March 31, 2021.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 qualified 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

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Independent Auditor's Report, continued

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

We 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.

Pettinelli Mastroluisi LLP

Chartered Professional Accountants
Licensed Public Accountants **Hamilton, Ontario**

The Dr. Bob Kemp Hospice Foundation Inc.

Statement of Financial Position

March 31, 2021, with comparative information for 2020

		2021		2020
Assets				
Current assets				
Cash	$	1,571,218	$	1,005,870
Accounts receivable (Note 2)		116,718		38,583
Prepaid expenses		94,199		54,543
Investments - Internal contingency reserve (Note 3)		1,155,444		986,703
		2,937,579		2,085,699
Property and equipment (Note 4)		3,984,474		4,115,737
	$	6,922,053	$	6,201,436
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	$	206,551	$	140,948
Deferred revenue (Note 6)		303,510		246,540
		510,061		387,488
Deferred revenue - Camp Keaton and children bereavement (Note 7)		117,845		108,055
Deferred capital contributions (Note 8)		970,095		1,052,897
		1,598,001		1,548,440
Net Assets				
Unrestricted		902,229		603,453
Internally restricted - contingency reserve (Note 9)		1,155,444		986,703
Invested in property and equipment (Note 10)		3,014,379		3,062,840
Internally restricted - COVID-19 impact reserve (Note 9)		252,000		-
		5,324,052		4,652,996
	$	6,922,053	$	6,201,436

Commitments (Note 11)
Contingent liability (Note 12)

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:

_____________________________ **Director**

_____________________________ **Director**

The Dr. Bob Kemp Hospice Foundation Inc.

Statement of Operations and Changes in Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenues		
Grants	$ 1,829,746	$ 1,575,337
Donations	777,070	884,932
Special events	274,400	438,973
	2,881,216	2,899,242
Expenses		
Wages and benefits	2,444,604	2,049,047
Programs and services	122,039	104,684
Repairs and maintenance	93,581	80,001
Advertising and promotion	74,737	65,374
Special events	57,401	157,058
Utilities	49,148	50,605
Office and general	43,754	41,664
Professional fees	35,342	85,081
Interest and bank charges	22,452	29,029
Insurance	18,029	15,547
Professional development	7,630	20,169
Travel	6,394	8,921
	2,975,111	2,707,180
(Deficiency) excess of revenues over expenses before the undernoted items	(93,895)	192,062
Other income (expenses)		
Government assistance (Note 12)	723,998	-
Unrealized gain (loss) on investments	105,957	(99,054)
Amortization of deferred capital contributions	94,482	94,000
Interest and dividends	32,363	32,950
Realized gain on investments	18,441	-
Donation to the Hamilton Community Foundation	(50,000)	(10,000)
Amortization	(160,290)	(165,435)
	764,951	(147,539)
Excess of revenues over expenses for the year	671,056	44,523
Net assets, beginning of year	4,652,996	4,323,473
Donation of land	-	285,000
Net assets, end of year	$ 5,324,052	$ 4,652,996

See accompanying notes to the financial statements.

The Dr. Bob Kemp Hospice Foundation Inc.

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash flows from (used in) operating activities		
Excess of revenues over expenses for the year	$ 671,056	$ 44,523
Items not involving cash		
Amortization of property and equipment	160,290	165,435
Amortization of deferred capital contributions	(94,482)	(94,000)
Unrealized (gain) loss on investments	(105,957)	99,054
	630,907	215,012
Net change in non-cash working capital balances relating to operations		
(Increase) decrease in accounts receivable	(78,135)	13,849
(Increase) decrease in prepaid expenses	(39,656)	7,486
Increase in accounts payable and accrued liabilities	65,603	29,273
Increase (decrease) in deferred revenue	66,760	(5,092)
	14,572	45,516
	645,479	260,528
Cash flows from (used in) investing activities		
Purchase of property and equipment	(29,027)	(16,062)
Purchases of investments, net	(48,618)	(128,939)
	(77,645)	(145,001)
Cash flows from (used in) financing activity		
Contributions received for property and equipment	11,680	46,736
Net increase in cash during the year	579,514	162,263
Cash, beginning of the year	1,011,154	848,891
Cash, end of the year	$ 1,590,668	$ 1,011,154
Cash consists of:		
Cash	$ 1,571,218	$ 1,005,870
Investments - Internal contingency reserve	19,450	5,284
	$ 1,590,668	$ 1,011,154

See accompanying notes to the financial statements.

Nature of operations

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 as found in Part III of the CPA Handbook. The Foundation's significant accounting policies are as follows:

Revenue recognition

The Foundation follows the deferral method of accounting for contributions which includes 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 at a rate consistent with the amortization rate of the related property and equipment. Restricted contributions for the purchase of land or donations of land and other non-depreciable capital property are reported as direct increases to the Foundation's net assets.

Net investment income is recognized as earned.

Property and equipment

Property and equipment are recorded 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 at the following annual rates:

Buildings	4%
Furniture and fixtures	20%
Computer equipment	30%

Property and equipment are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

1. Significant accounting policies, continued

Cash

Cash includes cash on hand and held with financial institutions, net of outstanding cheques and deposits. Cash also includes cash equivalent investments with original maturities of three months or less from their date of acquisition, which are readily convertible into a known amount of cash, and are subject to an insignificant risk of change in their fair value.

Investments

Investments are recorded at fair market value.

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.

Financial Instruments

(i) Measurement of financial instruments

The Foundation initially measures its financial assets and liabilities at fair value. 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. Changes in fair value are recognized in the excess of revenues over expenses in the period incurred. The Foundation has not elected to carry any such financial instrument at fair value.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Foundation determines whether there are indications of possible impairment. When there is an indication of impairment, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in the excess of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenues over expenses.

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the excess of revenues over expenses in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the excess of revenues over expense over the life of the instrument using the straight-line method.

1. Significant accounting policies, continued

Government assistance

Government assistance received or receivable for non-capital expenditures of the current period have been accounted for in the determination of excess of revenues over expenses. Government assistance provided for expenses of future periods is initially deferred and subsequently recognized in the excess of revenues over expenses as eligible expenditures are incurred.

Use of estimates

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 and disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Accounts receivable

	2021	2020
Canada Emergency Wage Subsidy receivable	$ 75,283	$ -
HST rebate receivable	29,505	26,024
Grants	10,480	12,559
Other receivables	1,450	-
	$ 116,718	$ 38,583

3. Investments - Internal contingency reserve

	2021		2020	
	Book Value	Market Value	Book Value	Market Value
Cash and cash equivalents	$ 19,450	$ 19,450	$ 5,284	$ 5,284
Fixed income	144,535	145,666	136,559	136,559
Mutual funds	534,387	536,783	369,225	369,225
Equities	410,277	453,545	539,171	475,635
	$ 1,108,649	$ 1,155,444	$ 1,050,239	$ 986,703

4. Property and equipment

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Land	$ 775,000	$ -	$ 775,000	$ 775,000
Buildings	5,153,955	2,082,283	3,071,672	3,201,515
Furniture and fixtures	883,978	762,156	121,822	130,001
Computer equipment	93,114	77,134	15,980	9,221
	$ 6,906,047	$ 2,921,573	$ 3,984,474	$ 4,115,737

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of $57,408 (2020 - $23,529), which includes amounts payable for payroll related taxes.

6. Deferred revenue

Deferred revenue relates to expenses of future periods and is comprised of unspent externally restricted grants and donations for specific programs. The change in the deferred revenue balance is as follows:

	2021	2020
Balance, beginning of year	$ 246,540	$ 289,765
Add: Grants and donations raised	344,396	297,971
Less: Funds used for operations	(283,132)	(318,281)
Less: Amounts transferred to deferred capital contributions (Note 8)	(4,294)	(22,915)
Balance, end of year	$ 303,510	$ 246,540

7. Deferred revenue - Camp Keaton and children bereavement

Deferred revenue relates to expenses of future periods for Camp Keaton and children bereavement and is comprised of unspent externally restricted donations. The change in the deferred revenue balance related to Camp Keaton and children bereavement is as follows:

	2021	2020
Balance, beginning of year	$ 108,055	$ 69,922
Add: Donations raised	9,790	61,312
Less: Funds used for operations	-	(23,179)
Balance, end of year	$ 117,845	$ 108,055

8. 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 balance of deferred capital contributions is as follows:

	2021	2020
Balance, beginning of year	$ 1,052,897	$ 1,000,161
Add: Capital contributions received in the year	7,386	23,821
Add: Donated assets	-	100,000
Add: Amounts transferred from deferred revenue (Note 6)	4,294	22,915
Less: Amortization of deferred capital contributions	(94,482)	(94,000)
Balance, end of year	$ 970,095	$ 1,052,897

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 (2020 - $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.

9. Internally restricted net assets

In 2015 the Foundation established an internally restricted contingency reserve to be used towards specific capital initiatives and other provisions as established in the policies of the Board of Directors. During the year the Foundation transferred $Nil (2020 - $Nil) to the contingency reserve. The reserve is not available for other purposes without the approval of the Board of Directors.

During the year, the Foundation established an internally restricted COVID-19 impact reserve to be used towards expenses approved by the Board of Directors, including those specifically related to COVID-19, wages and repairs and maintenance. During the year, the Board of Directors approved a transfer of $252,000 to this reserve. Subsequent to the year end the Board of Directors approved an additional transfer of $110,000 to the reserve which will be accounted for in the fiscal 2021 financial statements. The reserve is not available for other purposes without the approval of the Board of Directors.

10. Invested in property and equipment

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

	2021	2020
Property and equipment (Note 4)	$ 3,984,474	$ 4,115,737
Amounts financed by deferred capital contributions (Note 8)	(970,095)	(1,052,897)
	$ 3,014,379	$ 3,062,840

11. Commitments

The Foundation leases various equipment pursuant to operating lease agreements. Annual lease commitments for the related equipment are as follows:

2022	$ 3,336
2023	2,628
2024	1,971
	$ 7,935

12. Government assistance

As part of the Government of Canada's economic response plan to the COVID-19 pandemic, it was declared that companies and organizations would be eligible for the Canada Emergency Wage Subsidy ("CEWS"). This program provides a wage subsidy to eligible employers. Management determined that the Foundation was eligible for the CEWS based on the established criteria and applied to receive the subsidy. The CEWS claim periods were predefined by the Government of Canada and management determined that the Foundation was eligible for the subsidy related to claim periods between April 12, 2020 to April 10, 2021 (claim periods 2 through 14). The Foundation has recognized $698,998 of government assistance in the excess of revenues over expenses with regards to the CEWS that was related to the current fiscal year. Management will continue to assess the Foundation's eligibility for the CEWS as long as the program is being offered by the Government of Canada.

In addition to the CEWS, the Government of Canada offered the 10% Temporary Wage Subsidy for Employers ("TWSE") as a three-month measure that allowed eligible employers to reduce the amount of payroll deductions required to be remitted to the Canada Revenue Agency or if payroll remittances were not reduced, receive the determined amount. The subsidy was equal to 10% of the remuneration paid from March 18, 2020 to June 19, 2020 up to $1,375 for each eligible employee to a maximum of $25,000 total per employer. Any claims made under the TWSE program required an offsetting adjustment to those made with respect to the CEWS. The Foundation received $25,000 related to this program which has been recognized as part of government assistance in the statement of operations and changes in net assets.

The CEWS and TWSE are subject to review by the Government of Canada and its related authorities. Any resulting adjustments or required repayments that may result from such a review will be reflected in the year of settlement.

12. Government assistance, continued

The Foundation has entered into agreements with government bodies related to various funding it receives. As part of these agreements, the Foundation is required to make scheduled submissions to the funders to ensure compliance. It is uncertain as to how the receipt of the CEWS will impact these funding agreements. Given the uncertainty regarding the likelihood of any impact to current or future funding, no amount has been accrued in these financial statements. Any resulting adjustments that may be required in the future will be reflected in the year of settlement.

13. Donations in-kind

These financial statements include donations in-kind of $8,060 (2020 - $9,795) recorded as expenses in special events, programs and services, repairs and maintenance and advertising and promotion at their fair value. The offsetting contributions have been recorded in donations and special events revenue.

14. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(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 2020.

(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 investment portfolio. There has been no change to the risk exposure from 2020.

(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 exposure from 2020.

15. Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus ("COVID-19"), a pandemic resulting in economic uncertainties potentially affecting the Foundation’s cash flows, financial position and results of operations. At this time, it is unknown the extent of the impact that the COVID-19 outbreak may have on the Foundation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the virus and duration of the outbreak, forced closures or disruptions and quarantine/isolation measures that are currently, or may be put in place by government authorities to fight the virus.

In the current year the Foundation experienced a decline in certain revenue streams as a result of the inability to host some of its annual programs, fundraising initiatives and special events due to safety considerations and government restrictions. In addition, the continued offering of economic support programs by the government, such as the CEWS, and the Foundation's eligibility for such programs in the future remains unknown at this time. The Foundation continues to assess the impact COVID-19 will have on its business activities in the future, however, the extent of the effect of the COVID-19 pandemic remains uncertain.

16. Comparative figures

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's excess of revenues over expenses or net assets.