

HEARTHOUSE HOSPICE INC.

FINANCIAL STATEMENTS

MARCH 31, 2012



CALVIN G VICKERY

CHARTERED ACCOUNTANT
PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
HearHouse Hospice Inc.

I have audited the accompanying financial statements of HearHouse Hospice Inc., which comprise the statement of financial position as at March 31, 2012 and the statement of operations, statement of changes in net assets and statement of 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, HearHouse Hospice Inc. derives revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded by HearHouse Hospice Inc., and I was not able to determine whether any adjustments might be necessary to donation revenue, excess of revenue over expenses, assets and net assets.

Qualified Opinion

In my 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 HearHouse Hospice Inc. as at March 31, 2012, and its financial performance and its cash flows, for the year then ended in accordance with Canadian generally accepted accounting principles.

Calvin G Vickery Chartered Accountant
Professional Corporation,
Authorized to practice public accounting by the
Institute of Chartered Accountants of Ontario

Brampton, Ontario,
June 11, 2012

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2012

	2012			Total	
	Operating Fund	Internally Restricted Funds	Residential Hospice Fund	2012	2011
				\$	\$
ASSETS					
CURRENT					
Cash in bank	341,346		338,771	680,117	339,531
Short-term investments - Note 2	478,913		1,073,917	1,552,830	1,574,693
Other receivables	70,651		4,809	75,460	49,624
Prepaid expenses and deposits	17,455			17,455	18,701
	<u>908,365</u>	<u>0</u>	<u>1,417,497</u>	<u>2,325,862</u>	<u>1,982,549</u>
CAPITAL ASSETS					
Equipment - at cost	26,878			26,878	26,878
Less : Accumulated amortization	26,878			26,878	24,096
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,782</u>
	<u>908,365</u>	<u>0</u>	<u>1,417,497</u>	<u>2,325,862</u>	<u>1,985,331</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	63,774			63,774	46,283
Due to LHIN - Note 3	29,653			29,653	23,789
Amounts payable to (due from) other funds	464,299	(425,552)	(38,747)	0	0
Deferred revenue - Note 4	17,966			17,966	26,339
	<u>575,692</u>	<u>(425,552)</u>	<u>(38,747)</u>	<u>111,393</u>	<u>96,411</u>
FUND EQUITY					
FUND BALANCES					
Internally restricted funds - Note 6		425,552		425,552	405,545
Residential Hospice Fund			1,456,244	1,456,244	1,150,702
Surplus: Operating fund	332,673			332,673	332,673
	<u>332,673</u>	<u>425,552</u>	<u>1,456,244</u>	<u>2,214,469</u>	<u>1,888,920</u>
	<u>908,365</u>	<u>0</u>	<u>1,417,497</u>	<u>2,325,862</u>	<u>1,985,331</u>

APPROVED: June 11, 2012 DATE

[Signature] PRESIDENT

[Signature] TREASURER

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
STATEMENT OF OPERATIONS AND FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2012

	2012			Total	
	Operating Fund	Internally Restricted funds	Residential Hospice Fund	2012	2011
				\$	\$
REVENUE					
Fundraising	283,106		391,483	674,589	374,870
Bequests	50,000		50,188	100,188	-
Donations	137,320		625	137,945	161,586
Grants - United Way	126,723			126,723	124,237
- LHIN - Note 3	514,553			514,553	506,950
- LHIN - Aging at Home	262,262			262,262	170,123
- LHIN - Metamorphosis	154,780			154,780	-
- LHIN - One-Time Funding - Note 3	8,041			8,041	-
- Trillium	-			-	59,000
Interest income and other investment income	13,123		15,831	28,954	15,497
Other income	18,384			18,384	13,592
	<u>1,568,292</u>	-	<u>458,127</u>	<u>2,026,419</u>	<u>1,425,855</u>
Deferred revenue adjustments - Note 4	8,373			8,373	11,875
	<u>1,576,665</u>	-	<u>458,127</u>	<u>2,034,792</u>	<u>1,437,730</u>
EXPENDITURES					
Salaries and employee benefits	990,263		19,829	1,010,092	904,208
Less: Allocated to programs	<u>140,912</u>			<u>140,912</u>	<u>83,768</u>
	849,351		19,829	869,180	820,440
Administration:					
Telephone	4,048			4,048	4,704
Office supplies and miscellaneous	22,387		844	23,231	19,175
Annual dues and licences	2,334			2,334	1,580
Insurance	6,706			6,706	5,980
Professional fees	5,591		5,977	11,568	29,026
Rent and utilities	79,174			79,174	79,557
Bank charges and fees	1,546		50	1,596	1,644
Building maintenance	5,755			5,755	4,667
Website development	2,558			2,558	1,812
Communications	13,803			13,803	2,244
Public relations and fundraising	87,460		145,892	233,352	123,278
Volunteer training and education	12,327			12,327	12,623
Consulting fees	12,275			12,275	51,707
Bereavement program	1,431			1,431	487
Day program	2,040			2,040	1,865
Other program expenses	8,041			8,041	
Aging at home program	262,262			262,262	170,123
Metamorphosis program	154,780			154,780	
Amortization of capital assets	2,782			2,782	5,376
	<u>1,536,651</u>	-	<u>172,592</u>	<u>1,709,243</u>	<u>1,336,288</u>
EXCESS OF REVENUE OVER EXPENDITURES	40,014	-	285,535	325,549	101,442
Contribution to HeartHouse Hospice Fund - Note 7	-			-	(10,000)
Transfers between funds	(40,014)	20,007	20,007	-	-
Fund balances, beginning of year	332,673	405,545	1,150,702	1,888,920	1,797,478
	<u>332,673</u>	<u>425,552</u>	<u>1,456,244</u>	<u>2,214,469</u>	<u>1,888,920</u>
FUND BALANCES, END OF YEAR	<u>332,673</u>	<u>425,552</u>	<u>1,456,244</u>	<u>2,214,469</u>	<u>1,888,920</u>

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2012

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Excess of Revenue over Expenditures (Expenditures over Revenue)	325,549	101,442
Plus: Amortization of capital assets	2,782	5,376
Plus: Changes in unrealized gains (losses)	-	-
	<u>328,331</u>	<u>106,818</u>
CHANGES IN:		
Accrued interest	-	-
Other receivables	(25,836)	(34,287)
Prepaid expenses and deposits	1,246	81
Accounts payable	17,491	782
Due to LHIN	5,864	23,789
Deferred revenue	(8,373)	(11,875)
	<u>318,723</u>	<u>85,308</u>
INVESTING ACTIVITIES		
Purchase of capital assets	-	-
Contribution to Heart House Hospice Fund	-	(10,000)
	<u>-</u>	<u>(10,000)</u>
INCREASE (DECREASE) IN CASH	318,723	75,308
CASH, BEGINNING OF YEAR	<u>1,914,224</u>	<u>1,838,916</u>
CASH, END OF YEAR	<u><u>2,232,947</u></u>	<u><u>1,914,224</u></u>
CASH REPRESENTED BY:		
Bank	680,117	339,531
Investments	1,552,830	1,574,693
	<u>2,232,947</u>	<u>1,914,224</u>

**HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012**

The HeartHouse Hospice Inc. is incorporated without share capital under the Ontario Business Corporations Act and its principal activities include the provision of home care services and supportive care of the terminally ill. On March 12, 2009 the name of the organization was changed from Hospice of Peel, Inc. to HeartHouse Hospice Inc.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with generally accepted accounting principles:

(a) Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions received from individuals or organizations for a specific purpose are recognized as revenue in the year in which the related expenses are incurred. When a restricted contribution is received for the purchase of a capital asset, the revenue is recognized at the same rate as the amortization of the related asset.

(b) Contributed goods and services

Goods and services donated to the corporation are not recorded as revenues and expenses in the financial statements.

(c) Capital assets

Purchased capital assets are recorded at cost, for acquisitions in excess of \$1,000. Capital assets are amortized on a straight-line basis over their estimated useful life as follows:

Equipment - 5 years

(d) Fund accounting

The organization follows the restricted fund method of accounting for contributions.

The Operating fund accounts for all program delivery and administration activities of the organization that are not included in any other fund established by the Board of Directors.

Residential Hospice Fund

The Board of Directors has approved the establishment of a reserve fund for future capital expenditures related to a planned residential hospice.

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - continued

Internally Restricted Funds

The Board of Directors has approved the following reserve funds:

Reserve For Operating Costs

As the Hospice funding is irregular, the Board of Directors has approved the establishment of a reserve to cover future operating costs.

Reserve for Special Expenditures

The Board of Directors has established a reserve to provide funding for certain specified future expenditures.

(e) Financial instruments

The following policies and assumptions were used to determine the fair value of each class of financial assets and financial liabilities.

Cash, term deposit, accounts receivable, accounts payable and accrued liabilities:

These financial assets and liabilities held for trading are measured at their carrying amount since it is comparable to their fair value due to the approaching maturity of these financial instruments.

Investments:

Investments in bonds and bankers acceptance are classified as held-for-trading financial assets. They are measured at fair value, determined using quoted values in an active market. Changes in the fair value are recognized in the statement of operations.

Investments in shares of publicly traded companies are classified as available-for-sale financial assets. They are measured at fair value, determined using quoted values in an active market. Unrealized gains and losses are reflected in the fund balances.

(f) Income taxes

The organization is incorporated without share capital pursuant to the laws of Ontario. It is a non-profit organization within the meaning of Section 149 of the Income Tax Act of Canada and is exempt from income taxes.

HEARTHUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - continued

(g) Recently Issued Accounting Pronouncements

Current accounting standards require the organization to adhere to Canadian generally accepted accounting principles for non-profit organizations.

The Accounting Standards Board (AcSB) has recently approved new accounting standards for non-profit organizations. These standards will be mandatory for fiscal years beginning on or after January 1, 2012 but can be adopted earlier. The impact of the new standards on the organization's financial statements for future periods has not yet been determined.

NOTE 2: SHORT-TERM INVESTMENTS

	2012		2011	
	Fair value	Cost	Fair value	Cost
Guaranteed investment certificates, non-cashable. These financial instruments are classified as held-for-trading.	645,499	645,499	245,499	245,499
Ontario Savings Bond, Step-up Series 2011, Annual 1.25%-3.75%, This bond is classified as held-for-trading.	600,000	600,000	0	0
Units of money market mutual funds. These financial instruments are classified as available-for-sale.	307,331	307,331	1,329,194	1,329,194
	<u>\$ 1,552,830</u>	<u>\$ 1,552,830</u>	<u>\$ 1,574,693</u>	<u>\$ 1,574,693</u>

NOTE 3: DUE TO LOCAL HEALTH INTEGRATION NETWORK (LHIN)

Under the terms of its funding agreements with the Local Health Integration Network (Ministry of Health), the Hospice may be required to repay a portion of the grants received if actual expenditures are less than the budgeted expenditures.

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

NOTE 4: DEFERRED REVENUE

The change in deferred revenue during the year and the balance of deferred revenue at March 31, 2012 is as follows:

Purpose of contributions	Balance, March 31, 2011	Additional contributions deferred	Amortization of deferred contributions	Balance, March 31, 2012
Capital assets	1,944		1,944	-
Fundraisers and other	9,569	7,450	7,279	9,740
Metamorphosis - Other income	-	3,500	-	3,500
Accreditation	-	4,726	-	4,726
Program funding	14,826		14,826	-
	<u>\$ 26,339</u>	<u>\$ 15,676</u>	<u>\$ 24,049</u>	<u>\$ 17,966</u>

NOTE 5: LEASE OBLIGATIONS

The organization entered into a lease agreement for the rental of office space for a period of three years, commencing April 1, 2011 continuing to March 31, 2014. The minimum monthly rent under the terms of this lease is \$3,920 plus a proportionate share of municipal taxes and operating costs (estimated at \$1,695 per month) plus taxes.

The organization also has entered into a lease agreement for office equipment with a term of sixty six months commencing March 25, 2011. The quarterly payment for this lease is \$975 plus taxes.

The minimum obligations under operating leases for the next five fiscal years are as follows:

	Premises	Office Equipment
	\$	\$
2013	67,380	3,900
2014	67,380	3,900
2015	-	3,900
2016	-	3,900
2017	-	1,950

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2012

NOTE 6: INTERNALLY RESTRICTED FUNDS

	2012	2011
	\$	\$
Reserve for special expenditures		
- Software, hardware and technology upgrades	10,000	10,000
- translation of hospice materials	5,000	5,000
- marketing	7,000	7,000
	<u>22,000</u>	<u>22,000</u>
 Reserve for operating expenses	 403,552	 383,545
	<u>425,552</u>	<u>405,545</u>

NOTE 7: HEART HOUSE HOSPICE FUND

The organization contributed \$10,000 to The Community Foundation of Mississauga to establish an endowment fund. This fund is a pooled fund, managed by the foundation. In accordance with the agreement with the foundation a portion of the fund is available for grants to programs operated by HeartHouse Hospice. As at December 31, 2011 the balance in the fund is \$10,789.

NOTE 8: COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform with the current year's financial presentation.