

HEARTHOUSE HOSPICE INC.

FINANCIAL STATEMENTS

MARCH 31, 2013



CALVIN G VICKERY

CHARTERED ACCOUNTANT
PROFESSIONAL CORPORATION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Heart House Hospice Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of Heart House Hospice Inc., which comprise the statement of financial position as at March 31, 2013 and the statements of operations and fund balances and 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 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.

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 not-for-profit organizations, the organization derives part of its revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenue, excess of expenses over revenue for the period, assets or net assets.

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Heart House Hospice Inc. as at March 31, 2013 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying my opinion, I draw attention to Note 9 to the financial statements which describes that Heart House Hospice Inc. adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the year ended March 31, 2012 and related disclosures. I was not engaged to report on the restated comparative information as further explained in Note 10, and as such, it is unaudited.

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


Brampton, Ontario,
June 13, 2013

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2013

	2013		Total		
	Operating Fund	Residential Hospice Fund	2013	2012 (unaudited) Note 10	April 1, 2011 (unaudited) Note 10
	\$	\$	\$	\$	\$
ASSETS					
CURRENT					
Cash in bank	333,015	329,633	662,648	680,117	339,531
Short-term investments - Note 2	481,711	1,085,303	1,567,014	1,552,830	1,574,693
Other receivables	108,484		108,484	75,460	49,624
Prepaid expenses and deposits	21,494		21,494	17,455	18,701
	<u>944,704</u>	<u>1,414,936</u>	<u>2,359,640</u>	<u>2,325,862</u>	<u>1,982,549</u>
CAPITAL ASSETS					
Equipment - at cost	29,338		29,338	26,878	26,878
Less : Accumulated amortization	27,698		27,698	26,878	24,096
	<u>1,640</u>	<u>0</u>	<u>1,640</u>	<u>0</u>	<u>2,782</u>
	<u>946,344</u>	<u>1,414,936</u>	<u>2,361,280</u>	<u>2,325,862</u>	<u>1,985,331</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	98,530		98,530	59,939	36,605
Government remittances payable	9,806		9,806	3,835	9,678
Due to LHIN - Note 3	12,136		12,136	29,653	23,789
Amounts payable to (due from) other funds	(24,161)	24,161	0	0	0
Deferred revenue - Note 4	63,705		63,705	17,966	26,339
	<u>160,016</u>	<u>24,161</u>	<u>184,177</u>	<u>111,393</u>	<u>96,411</u>
FUND EQUITY					
FUND BALANCES					
Internally restricted funds - Note 6	453,655		453,655	425,552	405,545
Residential Hospice Fund		1,390,775	1,390,775	1,456,244	1,150,702
Surplus: Operating fund	332,673		332,673	332,673	332,673
	<u>786,328</u>	<u>1,390,775</u>	<u>2,177,103</u>	<u>2,214,469</u>	<u>1,888,920</u>
	<u>946,344</u>	<u>1,414,936</u>	<u>2,361,280</u>	<u>2,325,862</u>	<u>1,985,331</u>

APPROVED:

 PRESIDENT

 TREASURER

June 10, 2013 DATE

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
STATEMENT OF OPERATIONS AND FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2013

	2013			Total	
	Operating Fund	Internally Restricted funds	Residential Hospice Fund	2013	2012 (unaudited) Note 10
				\$	\$
REVENUE					
Fundraising	266,759		2,000	268,759	674,589
Bequests				-	100,188
Donations	138,512		2,000	140,512	137,945
Grants - United Way	126,723			126,723	126,723
- LHIN - Note 3	514,553			514,553	514,553
- LHIN - Aging at Home	270,262			270,262	262,262
- LHIN - Metamorphosis				-	154,780
- LHIN - One-Time Funding - Note 3	1,911			1,911	8,041
- Trillium	40,000		-	40,000	-
Interest income and other investment income	10,113		17,006	27,119	28,954
Other income	14,094			14,094	18,384
	<u>1,382,927</u>	-	<u>21,006</u>	<u>1,403,933</u>	<u>2,026,419</u>
Deferred revenue adjustments - Note 4	(45,739)			(45,739)	8,373
	<u>1,337,188</u>	-	<u>21,006</u>	<u>1,358,194</u>	<u>2,034,792</u>
EXPENDITURES					
Salaries and employee benefits	924,574		62,523	987,097	1,010,092
Administration:					
Telephone	3,926			3,926	4,048
Office supplies and miscellaneous	28,047		120	28,167	23,231
Annual dues and licences	1,074			1,074	2,334
Insurance	8,116			8,116	6,706
Professional fees	1,982		23,495	25,477	11,568
Rent and utilities	80,305			80,305	79,174
Bank charges and fees	6,369		249	6,618	1,596
Building maintenance	4,211			4,211	5,755
Website development and data services	3,424			3,424	2,558
Communications	12,644			12,644	13,803
Public relations and fundraising	81,682		88	81,770	233,352
Volunteer training and education	5,702			5,702	12,327
Consulting fees	100			100	1,414
Bereavement program	1,347			1,347	1,431
Day program	4,155			4,155	2,040
Other program expenses	8,901			8,901	8,041
Aging at home program	125,559			125,559	132,211
Metamorphosis program	6,147			6,147	154,780
Amortization of capital assets	820			820	2,782
	<u>1,309,085</u>	-	<u>86,475</u>	<u>1,395,560</u>	<u>1,709,243</u>
EXCESS OF REVENUE OVER EXPENDITURES	28,103	-	(65,469)	(37,366)	325,549
Transfers between funds	(28,103)	28,103	-	-	-
Fund balances, beginning of year	332,673	425,552	1,456,244	2,214,469	1,888,920
FUND BALANCES, END OF YEAR	<u>332,673</u>	<u>453,655</u>	<u>1,390,775</u>	<u>2,177,103</u>	<u>2,214,469</u>

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2013

	2013	2012 (unaudited) Note 10
	\$	\$
OPERATING ACTIVITIES		
Excess of Revenue over Expenditures (Expenditures over Revenue)	(37,366)	325,549
Plus: Amortization of capital assets	820	2,782
	<u>(36,546)</u>	<u>328,331</u>
CHANGES IN:		
Accrued interest	-	-
Other receivables	(33,024)	(25,836)
Prepaid expenses and deposits	(4,039)	1,246
Accounts payable	38,591	23,334
Government remittances payable	5,971	(5,843)
Due to LHIN	(17,517)	5,864
Deferred revenue	45,739	(8,373)
	<u>(825)</u>	<u>318,723</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(2,460)	-
	<u>(2,460)</u>	<u>-</u>
INCREASE (DECREASE) IN CASH	(3,285)	318,723
CASH, BEGINNING OF YEAR	<u>2,232,947</u>	<u>1,914,224</u>
CASH, END OF YEAR	<u><u>2,229,662</u></u>	<u><u>2,232,947</u></u>
CASH REPRESENTED BY:		
Bank	662,648	680,117
Investments	1,567,014	1,552,830
	<u><u>2,229,662</u></u>	<u><u>2,232,947</u></u>

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

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.

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook and include the following significant accounting policies:

(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) Donated Materials and Services

Donations of materials are recognized as revenue and as an expense when:

- a fair value can be reasonably estimated;
- the materials are used in the normal course of operations; and
- the organization would have purchased the materials if they had not been contributed.

Donated services are not recognized in the financial statements because of the difficulty in determining their fair value.

(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:

Computer Equipment -	3 years
Equipment -	5 year

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES - continued

(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.

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.

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

NOTE 2: SHORT-TERM INVESTMENTS

	2013		2012	
	Fair value	Cost	Fair value	Cost
Guaranteed investment certificates, non-cashable. These financial instruments are classified as held-for-trading.	0	0	625,499	625,499
Ontario Savings Bond, Step-up Series 2011, Annual 1.25%-3.75%, This bond is classified as held-for-trading.	600,000	600,000	600,000	600,000
Ontario Savings Bond, Step-up Series 2012, Annual 1.25%-2.25%, This bond is classified as held-for-trading.	74,500	74,500	0	0
Units of money market mutual funds. These financial instruments are classified as available-for-sale.	892,514	892,514	307,331	307,331
	<u>\$ 1,567,014</u>	<u>\$ 1,567,014</u>	<u>\$ 1,532,830</u>	<u>\$ 1,532,830</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, 2013

NOTE 4: DEFERRED REVENUE

The change in deferred revenue during the year and the balance of deferred revenue at March 31, 2013 is as follows:

Purpose of contributions	Balance, March 31, 2012	Additional contributions deferred	Amortization of deferred contributions	Balance, March 31, 2013
Capital assets	-	1,442	481	961
Fundraisers and other	9,740	30,984	13,434	27,290
Metamorphosis - Other income	3,500	-	3,500	-
Accreditation	4,726	-	4,726	-
Program funding	-	40,000	4,546	35,454
	<u>\$ 17,966</u>	<u>\$ 72,426</u>	<u>\$ 26,687</u>	<u>\$ 63,705</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
	\$	\$
2014	67,380	3,900
2015	-	3,900
2016	-	3,900
2017	-	1,950
2018	-	-

HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013

NOTE 6: INTERNALLY RESTRICTED FUNDS

	2013	2012
	\$	\$
Reserve for special expenditures		
- day program	7,300	-
- software, hardware and technology upgrades	10,000	10,000
- translation of hospice materials	5,000	5,000
- marketing	7,000	7,000
	<u>29,300</u>	<u>22,000</u>
 Reserve for operating expenses	 424,355	 403,552
	<u><u>453,655</u></u>	<u><u>425,552</u></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 Inc. As at December 31, 2012 the balance in the fund is \$11,522.

NOTE 8: FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

HeartHouse Hospice Inc. carries various forms of financial instruments. It is management's opinion that the entity is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**HEARTHOUSE HOSPICE INC.
(INCORPORATED UNDER THE LAWS OF ONTARIO)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013**

NOTE 9: Adoption of Canadian Accounting Standards for Not-For-Profit organizations

Effective January 1, 2012, the organization adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, electing to adopt the new accounting framework: Canadian accounting standards for not-for-profit organizations (ASNFPFO). These are the organization's first financial statements prepared in accordance with ASNFPFO. The accounting policies set out in the significant accounting policies note have been applied retrospectively in preparing the financial statements for the year ended March 31, 2013, the comparative information for the year ended March 31, 2012 and in the preparation of the opening ASNFPFO balance sheet at April 1, 2011 (the organization's date of transition).

The organization issued financial statements for the year ended March 31, 2012 using generally accepted accounting principles prescribed by CICA Handbook – Accounting XFI. The adoption of ASNFPFO had no impact on the previously reported assets, liabilities and net assets of the organization, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations and fund balances and the statement of cash flows. Certain of the organization's disclosures included in these financial statements reflect the new disclosure requirements of ASNFPFO.

NOTE 10: Comparative Figures

The comparative figures for the year ended March 31, 2012 and the figures at the transition date to ASNFPFO as at April 1, 2011 were audited under the previous accounting framework for not-for-profit organizations. No additional audit procedures have been performed to report on their fairness under the new ASNFPFO accounting standards and for this reason, the comparative figures are shown as unaudited.