

Hospital Family Houses of Ontario

Financial Statements

December 31, 2019



April 6, 2020

Independent Auditor's Report

To the Directors of Hospital Family Houses of Ontario

Qualified Opinion

We have audited the financial statements of Hospital Family Houses of Ontario (the "Organization"), which comprise the statement of financial position as at December 31, 2019, 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.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Hospital Family Houses of Ontario as at December 31, 2019, 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, Hospital Family Houses of Ontario derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Hospital Family Houses of Ontario. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, net assets and cash flows.

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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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



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 Organization'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 Organization'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 Organization 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.

Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario

Hospital Family Houses of Ontario

Statement of Financial Position

December 31, 2019, with comparative information for 2018

	General Fund	Capital Fund	December 31	
			2019 Total	2018 Total
Assets				
Current assets				
Cash	\$ 215,340	\$ 206,783	\$ 422,123	\$ 462,513
Short-term investments (Note 2)	50,944	93,747	144,691	137,305
Accounts receivable	9,300	-	9,300	3,120
GST/HST Public Service Bodies' Rebate receivable	7,835	-	7,835	7,938
Prepaid expenses	28,370	-	28,370	2,295
	311,789	300,530	612,319	613,171
Building, furniture, fixtures and equipment (Note 3)	-	2,086,783	2,086,783	2,058,236
	<u>\$ 311,789</u>	<u>\$ 2,387,313</u>	<u>\$ 2,699,102</u>	<u>\$ 2,671,407</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 4)	\$ 38,187	\$ -	\$ 38,187	\$ 29,450
Net Assets				
Unrestricted	273,602	-	273,602	203,207
Externally restricted	-	-	-	6,000
Internally restricted	-	300,530	300,530	374,514
Invested in capital assets	-	2,086,783	2,086,783	2,058,236
	273,602	2,387,313	2,660,915	2,641,957
	<u>\$ 311,789</u>	<u>\$ 2,387,313</u>	<u>\$ 2,699,102</u>	<u>\$ 2,671,407</u>

Commitments (Note 5)

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:

Director

Director

Hospital Family Houses of Ontario

Statement of Operations and Changes in Net Assets

Year ended December 31, 2019, with comparative information for 2018

	Year ended December 31, 2019			Year ended December 31, 2018		
	General Fund	Capital Fund	Total	General Fund	Capital Fund	Total
Revenues						
Accommodation rent	\$ 342,150	\$ -	\$ 342,150	\$ 311,625	\$ -	\$ 311,625
Donations	280,106	-	280,106	335,416	12,795	348,211
Fundraising	103,280	-	103,280	105,842	-	105,842
Interest and investment income	3,640	5,364	9,004	5,538	600	6,138
	<u>729,176</u>	<u>5,364</u>	<u>734,540</u>	<u>758,421</u>	<u>13,395</u>	<u>771,816</u>
Expenses						
Wages and benefits	370,576	-	370,576	353,056	-	353,056
Amortization	-	96,801	96,801	-	91,634	91,634
Office and general	56,452	-	56,452	42,708	-	42,708
Utilities	46,651	-	46,651	42,888	-	42,888
Repairs and maintenance	33,408	-	33,408	33,882	-	33,882
Insurance	16,901	-	16,901	15,671	-	15,671
Property tax	15,653	-	15,653	689	-	689
Golf tournament	13,568	-	13,568	11,481	-	11,481
Telephone	12,082	-	12,082	10,715	-	10,715
Equipment rental	11,716	-	11,716	13,440	-	13,440
Interest and bank charges	11,636	-	11,636	10,917	-	10,917
Other fundraising	10,664	-	10,664	7,881	-	7,881
Professional fees	8,606	-	8,606	6,236	-	6,236
Security	3,498	-	3,498	3,660	-	3,660
Continuing education	2,254	-	2,254	2,195	-	2,195
Supplies	1,783	-	1,783	2,263	-	2,263
Volunteering	1,347	-	1,347	1,085	-	1,085
Fees and dues	1,235	-	1,235	1,004	-	1,004
Travel and meetings	749	-	749	578	-	578
Rent (Note 5)	2	-	2	2	-	2
	<u>618,781</u>	<u>96,801</u>	<u>715,582</u>	<u>560,351</u>	<u>91,634</u>	<u>651,985</u>
Excess (deficiency) of revenues over expenses for the year	110,395	(91,437)	18,958	198,070	(78,239)	119,831
Net assets at the beginning of the year	203,207	2,438,750	2,641,957	205,137	2,316,989	2,522,126
Interfund transfers (Note 6)	<u>(40,000)</u>	<u>40,000</u>	<u>-</u>	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>
Net assets at the end of the year	<u>\$ 273,602</u>	<u>\$ 2,387,313</u>	<u>\$ 2,660,915</u>	<u>\$ 203,207</u>	<u>\$ 2,438,750</u>	<u>\$ 2,641,957</u>

See accompanying notes to the financial statements.

Hospital Family Houses of Ontario

Statement of Cash Flows

Year ended December 31, 2019, with comparative information for 2018

	Year ended December 31	
	2019	2018
Cash flows from (used in) operating activities		
Excess of revenues over expenses for the year	\$ 18,958	\$ 119,831
Items not involving cash		
Amortization	96,801	91,634
Unrealized investment income	(7,386)	(5,538)
	<u>108,373</u>	<u>205,927</u>
Net change in non-cash working capital balances relating to operations		
(Increase) decrease in accounts receivable	(6,180)	5,745
Decrease (increase) in GST/HST Public Service Bodies' Rebate receivable	103	(1,603)
(Increase) decrease in prepaid expenses	(26,075)	24,223
Increase (decrease) in accounts payable and accrued liabilities	8,737	(1,383)
	<u>(23,415)</u>	<u>26,982</u>
	<u>84,958</u>	<u>232,909</u>
Cash flows from (used in) investing activities		
Purchase of building, furniture, fixtures and equipment	<u>(125,348)</u>	<u>(23,341)</u>
Net (decrease) increase in cash during the year	(40,390)	209,568
Cash at beginning of the year	<u>462,513</u>	<u>252,945</u>
Cash at end of the year	<u>\$ 422,123</u>	<u>\$ 462,513</u>

See accompanying notes to the financial statements.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2019

Nature of operations

Hospital Family Houses of Ontario (the "Organization") is a not-for-profit organization which was incorporated by issue of letters patent under the laws of Ontario on June 8, 2001. The Organization is currently operating under the name "The Mark Preece Family House", in honour of a Hamilton area physician who passed away in 1997. The Organization's mission is to operate a "home away from home" that provides affordable, accessible accommodation in a compassionate environment for families receiving treatment in Hamilton area hospitals.

As a registered charity, Hospital Family Houses of Ontario is exempt from income taxes under the Income Tax Act (Canada).

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 Canada Handbook. The significant accounting policies are detailed as follows:

Cash

Cash consists of balances held with financial institutions, net of outstanding cheques and deposits.

Building, furniture, fixtures and equipment

Building, furniture, fixtures and equipment are recorded at cost. Contributed building, furniture, fixtures and equipment are recorded at fair value at the date of contribution. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the building, furniture, fixtures and equipment over their estimated useful lives. The annual amortization rates are as follows:

Building	40 years
Furniture, fixtures and equipment	10-15 years
Signs	10 years
Computer equipment	3 years

Fund accounting

The General Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted contributions and restricted contributions to be used for general operations.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Organization's capital assets. Restricted contributions for the purpose of capital expenditures are reported in this fund.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2019

1. Significant accounting policies, continued

Revenue recognition

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

Unrestricted contributions are recognized as revenue of the General Fund in the year they are received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to capital assets are recognized as revenue of the Capital Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization records contributed materials and services when a fair value can be reasonably estimated, when the materials and services are used in the normal course of operations, and when they otherwise would have been purchased. A substantial number of volunteers contribute their time to the Organization each year but because of the difficulty of determining the fair value, these contributed services are not recognized in the financial statements.

Unless restricted, investment income is recognized in the General Fund as income when earned. Restricted investment income is recognized in the corresponding restricted fund or in the General Fund subject to deferral if such restricted fund does not exist. Interest and investment income earned on internally restricted fund balances is recognized as revenue in the corresponding fund when earned.

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.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2019

1. Significant accounting policies, continued

Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenses in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable and GST/HST Public Service Bodies' Rebate receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include short-term investments.

(ii) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization 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 excess (deficiency) 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 excess (deficiency) of revenues over expenses.

(iii) Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in excess (deficiency) 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 excess (deficiency) of revenues over expenses over the life of the instrument using the straight-line method.

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Notes to Financial Statements

December 31, 2019

2. Short-term investments

Short-term investments include funds held in trust by Hamilton Health Sciences on behalf of the Organization. The funds are invested and managed in accordance with Hamilton Health Sciences' overall Canadian investment pool. The unrealized gains reported in the statement of operations are the result of the change in the market value of the underlying investments. The fair value of the invested funds has been determined based on quoted values at the close of business on December 31, 2019.

3. Building, furniture, fixtures and equipment

			December 31	
	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Building	\$ 2,350,463	\$ 473,637	\$ 1,876,826	\$ 1,927,977
Furniture, fixtures and equipment	441,850	234,454	207,396	125,857
Signs	<u>18,408</u>	<u>15,847</u>	<u>2,561</u>	<u>4,402</u>
	<u>\$ 2,810,721</u>	<u>\$ 723,938</u>	<u>\$ 2,086,783</u>	<u>\$ 2,058,236</u>

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$12,227 (2018 - \$6,923), which includes amounts payable for payroll related taxes.

5. Commitments

The Organization leases various equipment pursuant to operating lease agreements. Future minimum lease payments are as follows:

2020	\$ 8,913
2021	3,085
2022	1,920
2023	1,920
2024	<u>1,440</u>
	<u>\$ 17,278</u>

The Organization leases land and building from Hamilton Health Sciences for a nominal amount of \$2 per year under a lease agreement expiring in 2027. The Organization may purchase the land and building at any time during the term of the lease for \$2.

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6. Interfund transfers

During the year, the Organization transferred \$40,000 (2018 - \$200,000) from the unrestricted General Fund to the Capital Fund to support ongoing renovations, improvements and capital expenditures.

7. Related party transactions

During the year, the Organization engaged in transactions with a related party totaling \$6,310 (2018 - \$1,330). The company that provided the goods and services is controlled by a director of the Organization. These expenditures have been included as golf tournament and office and general expenses in the statement of operations. In the current year, the entire amount was donated back to the Organization.

These transactions were recorded at the exchange amount, which is the amount of consideration established by the related parties.

8. Contingencies

From time to time, the Organization is subject to claims and other lawsuits that arise in the course of operations, some of which may seek damages of substantial amounts. It is expected that any successful claims would be covered pursuant to the Organization's insurance policies. As at December 31, 2019, based on management's assessment, there was one outstanding incident that may cause an economic loss to the Organization. The amount of the loss is unknown, however, any loss is expected to be covered by insurance and therefore no amount has been accrued in the financial statements.

9. 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.

Credit risk

The Organization does have credit risk in accounts receivable of \$9,300 (2018 - \$3,120). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization reduces its exposure to credit risk by regularly reviewing the balance outstanding and creating an allowance for bad debts when applicable.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2019

10. Subsequent events

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 Organization's cash flows, financial position and results of operations. It is not possible to reliably estimate the length or effect of these developments due to uncertainties including the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and actions that may be taken by government authorities to contain COVID-19 or to treat its impact.