

Hospital Family Houses of Ontario

Financial Statements

December 31, 2021



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April 4, 2022

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, 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.

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, 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, 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, (deficiency) 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.

PETTINELLI MASTROLUISI LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

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.

Pottinelli Mastrolia LLP

Hospital Family Houses of Ontario

Statement of Financial Position

December 31, 2021, with comparative information for 2020

	General Fund	Capital Fund	December 31	
			2021 Total	2020 Total
Assets				
Current assets				
Cash	\$ 219,398	\$ 272,067	\$ 491,465	\$ 500,378
Short-term investments (Note 2)	-	159,617	159,617	152,839
Accounts receivable (Note 3)	15,334	-	15,334	18,881
GST/HST Public Service Bodies' Rebate receivable	7,299	-	7,299	7,648
Prepaid expenses	8,431	-	8,431	5,087
	250,462	431,684	682,146	684,833
Building, furniture, fixtures and equipment (Note 4)	-	1,932,516	1,932,516	2,011,653
	<u>\$ 250,462</u>	<u>\$ 2,364,200</u>	<u>\$ 2,614,662</u>	<u>\$ 2,696,486</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	\$ 39,773	\$ -	\$ 39,773	\$ 42,850
Canada Emergency Business Account loan (Note 6)	40,000	-	40,000	30,000
	79,773	-	79,773	72,850
Net Assets				
Unrestricted	170,689	-	170,689	219,029
Internally restricted	-	431,684	431,684	392,954
Invested in capital assets	-	1,932,516	1,932,516	2,011,653
	170,689	2,364,200	2,534,889	2,623,636
	<u>\$ 250,462</u>	<u>\$ 2,364,200</u>	<u>\$ 2,614,662</u>	<u>\$ 2,696,486</u>

Commitments (Note 8)

See accompanying notes to 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, 2021, with comparative information for 2020

	Year ended December 31, 2021			Year ended December 31, 2020		
	General Fund	Capital Fund	Total	General Fund	Capital Fund	Total
Revenues						
Donations	\$ 429,867	\$ -	\$ 429,867	\$ 340,574	\$ -	\$ 340,574
Accommodation rent	132,000	-	132,000	100,000	-	100,000
Fundraising	61,675	-	61,675	34,749	-	34,749
Interest and investment income	-	6,996	6,996	7,514	10,664	18,178
	<u>623,542</u>	<u>6,996</u>	<u>630,538</u>	<u>482,837</u>	<u>10,664</u>	<u>493,501</u>
Expenses						
Wages and benefits	489,747	-	489,747	338,963	-	338,963
Amortization	-	87,403	87,403	-	103,370	103,370
Office and general	79,495	-	79,495	48,730	-	48,730
Other fundraising	29,837	-	29,837	9,211	-	9,211
Utilities	25,083	-	25,083	34,969	-	34,969
Insurance	22,972	-	22,972	18,627	-	18,627
Repairs and maintenance	20,979	-	20,979	21,913	-	21,913
Property tax	16,121	-	16,121	15,855	-	15,855
Telephone	13,351	-	13,351	11,853	-	11,853
Interest and bank charges	10,343	-	10,343	7,873	-	7,873
Professional fees	10,152	-	10,152	7,307	-	7,307
Equipment rental	6,060	-	6,060	11,732	-	11,732
Security	3,563	-	3,563	4,716	-	4,716
Supplies	1,971	-	1,971	1,495	-	1,495
Travel and meetings	1,784	-	1,784	1,370	-	1,370
Golf tournament	1,766	-	1,766	1,858	-	1,858
Continuing education	856	-	856	1,967	-	1,967
Fees and dues	644	-	644	2,324	-	2,324
Volunteering	33	-	33	657	-	657
Rent (Note 8)	2	-	2	2	-	2
	<u>734,759</u>	<u>87,403</u>	<u>822,162</u>	<u>541,422</u>	<u>103,370</u>	<u>644,792</u>
(Deficiency) of revenues over expenses from operations	(111,217)	(80,407)	(191,624)	(58,585)	(92,706)	(151,291)
Government assistance						
Wage subsidies (Note 7)	92,877	-	92,877	104,012	-	104,012
Forgivable portion of Canada Emergency Business Account loan (Note 6)	10,000	-	10,000	10,000	-	10,000
	<u>102,877</u>	<u>-</u>	<u>102,877</u>	<u>114,012</u>	<u>-</u>	<u>114,012</u>
(Deficiency) excess of revenues over expenses for the year	(8,340)	(80,407)	(88,747)	55,427	(92,706)	(37,279)
Net assets at the beginning of the year	219,029	2,404,607	2,623,636	273,602	2,387,313	2,660,915
Interfund transfers (Note 9)	(40,000)	40,000	-	(110,000)	110,000	-
Net assets at the end of the year	<u>\$ 170,689</u>	<u>\$ 2,364,200</u>	<u>\$ 2,534,889</u>	<u>\$ 219,029</u>	<u>\$ 2,404,607</u>	<u>\$ 2,623,636</u>

See accompanying notes to financial statements.

Hospital Family Houses of Ontario

Statement of Cash Flows

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

	Year ended December 31	
	2021	2020
Cash flows from (used in) operating activities		
Deficiency of revenues over expenses for the year	\$ (88,747)	\$ (37,279)
Items not involving cash		
Amortization	87,403	103,370
Forgivable portion of Canada Emergency Business Account loan	(10,000)	(10,000)
Unrealized investment income	(6,778)	(8,148)
	<u>(18,122)</u>	<u>47,943</u>
Net change in non-cash working capital balances relating to operations		
Accounts receivable	3,547	(9,581)
GST/HST Public Service Bodies' Rebate receivable	349	187
Prepaid expenses	(3,344)	23,283
Accounts payable and accrued liabilities	(3,077)	4,663
	<u>(2,525)</u>	<u>18,552</u>
	<u>(20,647)</u>	<u>66,495</u>
Cash flows from (used in) investing activities		
Purchase of building, furniture, fixtures and equipment, net	<u>(8,266)</u>	<u>(28,240)</u>
Cash flows from (used in) financing activities		
Proceeds from Canada Emergency Business Account loan payable	<u>20,000</u>	<u>40,000</u>
Net (decrease) increase in cash during the year	(8,913)	78,255
Cash at beginning of the year	<u>500,378</u>	<u>422,123</u>
Cash at end of the year	<u>\$ 491,465</u>	<u>\$ 500,378</u>

See accompanying notes to financial statements.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2021

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 software	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, 2021

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.

Government assistance

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

Government assistance in the form of a forgivable loan is recognized when the Organization becomes entitled to receive it and not at the time such loans are forgiven, subject to recognition considerations as to the purpose of the loan.

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, 2021

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 (deficiency) excess 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 and Canada Emergency Business Account loan.

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 (deficiency) 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 (deficiency) 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 (deficiency) 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 (deficiency) excess of revenues over expenses over the life of the instrument using the straight-line method.

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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 and changes in net assets 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, 2021.

3. Accounts receivable

	December 31	
	2021	2020
Canada Emergency Wage Subsidy receivable	\$ 8,924	\$ 16,981
Other receivables	<u>6,410</u>	<u>1,900</u>
	<u>\$ 15,334</u>	<u>\$ 18,881</u>

4. Building, furniture, fixtures and equipment

	December 31			
	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Building	\$ 2,350,463	\$ 591,160	\$ 1,759,303	\$ 1,818,065
Furniture, fixtures and equipment	461,464	299,880	161,584	185,701
Computer software	16,892	5,682	11,210	7,167
Signs	<u>18,408</u>	<u>17,989</u>	<u>419</u>	<u>720</u>
	<u>\$ 2,847,227</u>	<u>\$ 914,711</u>	<u>\$ 1,932,516</u>	<u>\$ 2,011,653</u>

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$8,318 (2020 - \$10,461), which includes amounts payable for payroll related taxes.

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6. Canada Emergency Business Account loan

During the year, the Organization successfully applied for the expansion of the Canada Emergency Business Account ("CEBA") loan. This facility was available to eligible businesses and organizations as part of the Government of Canada's COVID-19 economic relief plan to assist with the Organization's operating costs during the COVID-19 pandemic.

The CEBA loan offered successful applicants up to \$60,000 in the form of an interest free credit facility with no required terms of repayment until December 31, 2023, at which time up to \$20,000 will be forgiven on the condition that the balance has been fully repaid. If the facility of \$40,000 is not repaid on or before December 31, 2023 it will be converted into a 5.0% non-revolving term loan maturing on December 31, 2025.

The CEBA loan is subject to review by the Government of Canada and its related authorities. Any resulting adjustments or required repayments that may result from the Government of Canada's review will be reflected in the year of settlement.

As at December 31, 2021, the balance of the CEBA loan is comprised as follows:

	December 31	
	2021	2020
CEBA loan received	\$ 60,000	\$ 40,000
Less: forgivable amount	<u>(20,000)</u>	<u>(10,000)</u>
	<u>\$ 40,000</u>	<u>\$ 30,000</u>

The forgivable amount of the CEBA loan has been recorded as government assistance in the current year in the statement of operations and changes in net assets.

7. Government assistance

As a 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 Organization was eligible for the CEWS based upon the established criteria and thus applied to receive the subsidy. The CEWS claim periods were predefined by the Government of Canada and management determined that the Organization was eligible for the subsidy in the amount of \$92,877 (2020 - \$98,857) as it related to the current fiscal year. The subsidy has been recognized as government assistance in the statement of operations and changes in net assets. As at December 31, 2021 \$8,924 (2020 - \$16,981) is still to be collected and has been recorded in accounts receivable on the statement of financial position.

Hospital Family Houses of Ontario

Notes to Financial Statements

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7. Government assistance, continued

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. The Organization received \$Nil (2020 - \$5,155) related to this program in the current fiscal year which has been recognized as government assistance in the statement of operations and changes in net assets.

On October 21, 2021 the Government of Canada announced the ending of the program with the last claim period covering September 26, 2021 to October 23, 2021.

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.

8. Commitments

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

2022	\$ 1,920
2023	1,920
2024	<u>1,440</u>
	<u>\$ 5,280</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.

9. Interfund transfers

During the year, the Organization transferred \$40,000 (2020 - \$110,000) from the unrestricted General Fund to the Capital Fund to support ongoing renovations, improvements and capital expenditures.

Hospital Family Houses of Ontario

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10. Related party transactions

The Organization did not engage in any related party transactions in the current year. In the prior year, the Organization engaged in transactions with a related party totaling \$1,500. The related party was controlled by a director of the Organization. These expenditures were included as office and general expenses in the statement of operations. In the prior 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.

11. 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

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 is exposed to credit risk with respect to accounts receivable. The Organization reduces its exposure to credit risk by regularly reviewing the balance outstanding and creating an allowance for bad debts when applicable.

12. 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 Organization'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 Organization 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 revenue associated with accommodation rent has been impacted as a result of forced closures due to government restrictions and safety considerations. In addition, the continued offering of economic support programs by the Government of Canada and the Organization's eligibility for such programs in the future, remains unknown at this time. The Organization continues to assess the impact that COVID-19 will have on its operations in the future, however, the extent of the effect of the COVID-19 pandemic remains uncertain.