

Hospital Family Houses of Ontario

Financial Statements

December 31, 2023

May 6, 2024

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, 2023, 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, 2023, 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 Organization 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended December 31, 2023 and 2022, current assets as at December 31, 2023 and 2022, and net assets as at January 1 and December 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended December 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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.

Pettinelli Martuscielli LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Hamilton, Ontario

Hospital Family Houses of Ontario

Statement of Financial Position

December 31, 2023, with comparative information for 2022

	General Fund	Capital Fund	December 31	
			2023 Total	2022 Total
Assets				
Current assets				
Cash	\$ 160,587	\$ 281,539	\$ 442,126	\$ 379,975
Short-term investments (Note 2)	-	175,358	175,358	167,067
Accounts receivable	5,460	-	5,460	5,580
GST/HST Public Service Bodies' Rebate receivable	8,038	492	8,530	11,066
Prepaid expenses	48,557	-	48,557	41,729
	222,642	457,389	680,031	605,417
Building improvements, furniture, fixtures and equipment (Note 3)	-	1,805,078	1,805,078	1,870,370
	<u>\$ 222,642</u>	<u>\$ 2,262,467</u>	<u>\$ 2,485,109</u>	<u>\$ 2,475,787</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (Note 4)	\$ 43,983	\$ -	\$ 43,983	\$ 37,779
Canada Emergency Business Account loan	-	-	-	40,000
	43,983	-	43,983	77,779
Net Assets				
Unrestricted	178,659	-	178,659	72,178
Internally restricted	-	457,389	457,389	455,460
Invested in capital assets	-	1,805,078	1,805,078	1,870,370
	178,659	2,262,467	2,441,126	2,398,008
	<u>\$ 222,642</u>	<u>\$ 2,262,467</u>	<u>\$ 2,485,109</u>	<u>\$ 2,475,787</u>

Commitments (Note 5)

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, 2023, with comparative information for 2022

	Year ended December 31, 2023			Year ended December 31, 2022		
	General Fund	Capital Fund	Total	General Fund	Capital Fund	Total
Revenues						
Donations and grants from other organizations	\$ 372,135	\$ -	\$ 372,135	\$ 317,974	\$ -	\$ 317,974
Accommodation rent	339,500	-	339,500	258,040	-	258,040
Fundraising	137,852	-	137,852	79,979	-	79,979
Interest and investment income	-	13,695	13,695	-	8,904	8,904
	<u>849,487</u>	<u>13,695</u>	<u>863,182</u>	<u>655,993</u>	<u>8,904</u>	<u>664,897</u>
Expenses						
Wages and benefits	466,831	-	466,831	458,757	-	458,757
Amortization	-	91,719	91,719	-	89,112	89,112
Office and general	69,950	-	69,950	62,312	-	62,312
Telephone and utilities	45,259	-	45,259	43,631	-	43,631
Insurance	30,991	-	30,991	28,050	-	28,050
Other fundraising	29,628	-	29,628	39,444	-	39,444
Repairs and maintenance	21,214	2,339	23,553	18,135	3,162	21,297
Property tax	17,695	-	17,695	16,612	-	16,612
Interest and bank charges	13,474	-	13,474	10,040	-	10,040
Professional fees	11,327	-	11,327	8,470	-	8,470
Advertising and promotion	10,622	-	10,622	15,710	-	15,710
Security	3,802	-	3,802	3,553	-	3,553
Equipment rental	3,035	-	3,035	2,783	-	2,783
Volunteering	1,212	-	1,212	1,005	-	1,005
Fees and dues	871	-	871	582	-	582
Travel and meetings	93	-	93	418	-	418
Rent (Note 5)	2	-	2	2	-	2
	<u>726,006</u>	<u>94,058</u>	<u>820,064</u>	<u>709,504</u>	<u>92,274</u>	<u>801,778</u>
Excess (deficiency) of revenues over expenses for the year	123,481	(80,363)	43,118	(53,511)	(83,370)	(136,881)
Net assets at the beginning of the year	72,178	2,325,830	2,398,008	170,689	2,364,200	2,534,889
Interfund transfers (Note 6)	<u>(17,000)</u>	<u>17,000</u>	<u>-</u>	<u>(45,000)</u>	<u>45,000</u>	<u>-</u>
Net assets at the end of the year	<u>\$ 178,659</u>	<u>\$ 2,262,467</u>	<u>\$ 2,441,126</u>	<u>\$ 72,178</u>	<u>\$ 2,325,830</u>	<u>\$ 2,398,008</u>

See accompanying notes to financial statements.

Hospital Family Houses of Ontario

Statement of Cash Flows

Year ended December 31, 2023, with comparative information for 2022

	Year ended December 31	
	2023	2022
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 43,118	\$ (136,881)
Items not involving cash		
Amortization	91,719	89,112
Unrealized investment income	(8,291)	(7,450)
	<u>126,546</u>	<u>(55,219)</u>
Net change in non-cash working capital balances relating to operations		
Accounts receivable	120	9,754
GST/HST Public Service Bodies' Rebate receivable	2,536	(3,767)
Prepaid expenses	(6,828)	(33,298)
Accounts payable and accrued liabilities	6,204	(1,994)
	<u>2,032</u>	<u>(29,305)</u>
	<u>128,578</u>	<u>(84,524)</u>
Cash flows from (used in) investing activities		
Purchase of building improvements, furniture, fixtures and equipment	<u>(26,427)</u>	<u>(26,966)</u>
Cash flows from (used in) financing activities		
Repayment of Canada Emergency Business Account loan	<u>(40,000)</u>	<u>-</u>
Net increase (decrease) in cash during the year	62,151	(111,490)
Cash at beginning of the year	<u>379,975</u>	<u>491,465</u>
Cash at end of the year	<u>\$ 442,126</u>	<u>\$ 379,975</u>

See accompanying notes to financial statements.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2023

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 improvements, furniture, fixtures and equipment

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

Building improvements	40 years
Furniture, fixtures and equipment	10-15 years
Computers	3 years
Signs	10 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, 2023

1. Significant accounting policies, continued

Revenue recognition

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

Unrestricted contributions or contributions provided for general or core operating purposes 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 excess (deficiency) of revenues over expenses. Government assistance received related to expenses of future periods is initially deferred and subsequently recognized to the excess (deficiency) 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 balance sheet date and the reported amounts of revenues and expenses during the year. Significant estimates exist related to the useful lives of building improvements, furniture, fixtures and equipment. Actual results could differ from those estimates.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2023

1. Significant accounting policies, continued

Financial instruments

(i) Measurement of financial instruments

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated and exchanged in related party transactions, except for those that involve parties whose sole relationship with the Organization is in the capacity of management, are initially measured at cost. The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. The cost of a financial asset or liability in a related party transaction that has repayment terms is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. When the financial instrument does not have repayment terms, its cost is determined using the consideration transferred or received by the Organization in the transaction.

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 and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and Canada Emergency Business Account loan.

(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.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2023

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, 2023.

3. Building improvements, furniture, fixtures and equipment

			December 31	
	Cost	Accumulated Amortization	2023 Net Book Value	2022 Net Book Value
Building improvements	\$ 2,398,216	\$ 709,954	\$ 1,688,262	\$ 1,727,170
Furniture, fixtures and equipment	467,103	351,669	115,434	137,369
Computer software	16,892	15,510	1,382	5,580
Signs	<u>18,408</u>	<u>18,408</u>	<u>-</u>	<u>251</u>
	<u>\$ 2,900,619</u>	<u>\$ 1,095,541</u>	<u>\$ 1,805,078</u>	<u>\$ 1,870,370</u>

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$13,043 (2022 - \$12,581), which includes amounts payable for payroll related taxes.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2023

5. Commitments

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

2024	<u>\$ 1,440</u>
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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.

6. Interfund transfers

During the year, the Organization transferred \$57,000 (2022 - \$45,000) from the unrestricted General Fund to the Capital Fund to support ongoing renovations, improvements and capital expenditures. The Organization also transferred \$40,000 from the Capital Fund to the unrestricted General Fund to repay the CEBA loan.

7. 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.

Liquidity risk

The Organization does have a liquidity risk in the accounts payable and accrued liabilities of \$43,983 (2022 - \$37,779). Liquidity risk is the risk that the Organization cannot repay its obligations when they become due to its creditors on a timely basis or at a reasonable cost. The Organization reduces its exposure to liquidity risk by monitoring its operating requirements and preparing budgets and cash forecasts to ensure it has sufficient funds to fulfill its obligations. Management does not believe there has been a significant change to liquidity risk from the prior year and continues to assess risk as low.

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.