

Hospital Family Houses of Ontario

Financial Statements

December 31, 2016



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April 3, 2017

Independent Auditor's Report

To the Directors of Hospital Family Houses of Ontario

We have audited the accompanying financial statements of Hospital Family Houses of Ontario, which comprise the statement of financial position as at December 31, 2016, and the statements of operations and net assets 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 organization'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 organization'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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.

PETTINELLI MASTROLUISI LLP

CHARTERED ACCOUNTANTS



T 905 522 6555 F 905 522 6574 6th Floor, One James Street South Hamilton ON L8P 4R5

Independent Auditor's Report, continued

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Hospital Family Houses of Ontario as at December 31, 2016 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.

Pettinelli Mastroluisi LLP

Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario

Hospital Family Houses of Ontario

Statement of Financial Position

	General Fund	Capital Fund	December 31	
			Total 2016	Total 2015
Assets				
Current assets				
Cash	\$ 81,370	\$ 131,525	\$ 212,895	\$ 111,477
Short-term investments (Note 2)	126,428	-	126,428	119,055
Accounts receivable	7,650	-	7,650	6,705
GST/HST Public Service Bodies' Rebate receivable	6,573	-	6,573	6,397
Prepaid expenses	6,513	-	6,513	19,486
	<u>228,534</u>	<u>131,525</u>	<u>360,059</u>	<u>263,120</u>
Building, furniture, fixtures and equipment (Note 3)	<u>-</u>	<u>2,201,270</u>	<u>2,201,270</u>	<u>2,276,151</u>
	<u>\$ 228,534</u>	<u>\$ 2,332,795</u>	<u>\$ 2,561,329</u>	<u>\$ 2,539,271</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 27,237	\$ -	\$ 27,237	\$ 22,173
Net Assets				
Unrestricted	201,297	-	201,297	169,873
Invested in capital assets	<u>-</u>	<u>2,332,795</u>	<u>2,332,795</u>	<u>2,347,225</u>
	<u>201,297</u>	<u>2,332,795</u>	<u>2,534,092</u>	<u>2,517,098</u>
	<u>\$ 228,534</u>	<u>\$ 2,332,795</u>	<u>\$ 2,561,329</u>	<u>\$ 2,539,271</u>

Commitments (Note 4)

See accompanying notes to the financial statements.

APPROVED BY THE BOARD:

_____ Director

_____ Director

Hospital Family Houses of Ontario

Statement of Operations and Net Assets

	Year ended December 31, 2016			Year ended December 31, 2015		
	General Fund	Capital Fund	Total	General Fund	Capital Fund	Total
Revenue						
Accommodation rent	\$ 309,015	\$ -	\$ 309,015	\$ 270,430	\$ -	\$ 270,430
Donations	230,642	-	230,642	179,574	7,500	187,074
Fundraising	124,318	-	124,318	133,750	-	133,750
Unrealized gains on investments	7,373	-	7,373	8,165	-	8,165
	<u>671,348</u>	<u>-</u>	<u>671,348</u>	<u>591,919</u>	<u>7,500</u>	<u>599,419</u>
Expenses						
Wages and benefits	342,583	-	342,583	338,760	-	338,760
Amortization	-	89,428	89,428	-	88,967	88,967
Utilities	49,218	-	49,218	41,956	-	41,956
Office and general	42,051	-	42,051	44,419	-	44,419
Repairs and maintenance	30,833	-	30,833	21,116	-	21,116
Golf tournament	25,536	-	25,536	21,121	-	21,121
Insurance	14,164	-	14,164	13,387	-	13,387
Interest and bank charges	12,766	2	12,768	9,039	-	9,039
Leasing expenses	10,842	-	10,842	10,837	-	10,837
Telephone	8,966	-	8,966	8,030	-	8,030
Other fundraising	5,884	-	5,884	12,291	-	12,291
Professional fees	5,717	-	5,717	7,796	-	7,796
Continuing education	5,237	-	5,237	3,710	-	3,710
Security	3,737	-	3,737	3,342	-	3,342
Subcontracting	2,994	-	2,994	2,026	-	2,026
Fees and dues	1,655	-	1,655	1,484	-	1,484
Supplies	1,416	-	1,416	1,957	-	1,957
Travel and meetings	992	-	992	1,414	-	1,414
Property tax	331	-	331	662	-	662
Rent (Note 4)	2	-	2	2	-	2
Loss on sale of equipment	-	-	-	-	461	461
	<u>564,924</u>	<u>89,430</u>	<u>654,354</u>	<u>543,349</u>	<u>89,428</u>	<u>632,777</u>
Excess (deficiency) of revenue over expenses for the year	106,424	(89,430)	16,994	48,570	(81,928)	(33,358)
Net assets at the beginning of the year	169,873	2,347,225	2,517,098	162,303	2,388,153	2,550,456
Interfund transfers (Note 5)	<u>(75,000)</u>	<u>75,000</u>	<u>-</u>	<u>(41,000)</u>	<u>41,000</u>	<u>-</u>
Net assets at the end of the year	<u>\$ 201,297</u>	<u>\$ 2,332,795</u>	<u>\$ 2,534,092</u>	<u>\$ 169,873</u>	<u>\$ 2,347,225</u>	<u>\$ 2,517,098</u>

See accompanying notes to the financial statements.

Hospital Family Houses of Ontario

Statement of Cash Flows

	Year ended December 31	
	2016	2015
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 16,994	\$ (33,358)
Items not involving cash		
Amortization	89,428	88,967
Loss on sale of equipment	-	461
Unrealized gains on investments	(7,373)	(8,165)
	<u>99,049</u>	<u>47,905</u>
Net change in non-cash working capital balances relating to operations		
Increase in accounts receivable	(945)	(3,287)
(Increase) decrease in GST/HST		
Public Service Bodies' Rebate receivable	(176)	1,227
Decrease (increase) in prepaid expenses	12,973	(536)
Increase in accounts payable and accrued liabilities	5,064	4,195
	<u>16,916</u>	<u>1,599</u>
	<u>115,965</u>	<u>49,504</u>
Cash flows from (used in) investing activities		
Purchase of furniture, fixtures and equipment	(14,547)	(4,850)
Proceeds on sale of furniture, fixtures and equipment	-	2,425
	<u>(14,547)</u>	<u>(2,425)</u>
Net increase in cash during the year	101,418	47,079
Cash at beginning of the year	<u>111,477</u>	<u>64,398</u>
Cash at end of the year	<u>\$ 212,895</u>	<u>\$ 111,477</u>

See accompanying notes to the financial statements.

Notes to Financial Statements

Year ended December 31, 2016

Nature of operations

Hospital Family Houses of Ontario ("the Organization") is a not-for-profit organization which was incorporated by issue of letters of 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. The significant policies are detailed as follows:

Cash

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

Building and equipment

Building 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 and equipment over their estimated useful lives. The annual amortization rates are as follows:

Building	40 years
Furniture, fixtures and equipment	10 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 resources. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Organization's capital assets.

Notes to Financial Statements

Year ended December 31, 2016

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 it is 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.

Investment income is recognized in the General Fund as income 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 date of the statement of financial position and the reported amounts of revenues and expenses during the year. The carrying amount of capital assets is a significant item subject to such estimates and assumptions. Actual results could differ from those estimates.

Financial instruments

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.

Notes to Financial Statements

Year ended December 31, 2016

1. Significant accounting policies, continued

Financial instruments, continued

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.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income 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 net income over the life of the instrument using the straight-line method.

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, 2016.

3. Building, furniture, fixtures and equipment

			December 31	
	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Building	\$ 2,326,783	\$ 297,732	\$ 2,029,051	\$ 2,087,220
Furniture, fixtures and equipment	300,772	136,637	164,135	178,940
Signs	18,408	10,324	8,084	9,924
Computer equipment	<u>1,001</u>	<u>1,001</u>	<u>-</u>	<u>67</u>
	<u>\$ 2,646,964</u>	<u>\$ 445,694</u>	<u>\$ 2,201,270</u>	<u>\$ 2,276,151</u>

Notes to Financial Statements

Year ended December 31, 2016

4. Commitments

The Organization leases various equipment pursuant to operating lease agreements. Future minimum lease payments in the final year of agreement in 2017 are \$10,646.

The Organization leases land and building from Hamilton Health Sciences Corporation 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.

5. Interfund transfers

During the year, the Organization transferred \$75,000 (2015 - \$41,000) from the unrestricted General Fund to the restricted Capital Fund to support ongoing renovations, improvements and capital expenditures.

6. Related party transactions

Office and general expenses include \$905 (2015 - \$2,100) paid for meals to a company controlled by a director of the Organization. This amount was donated back to the Organization.

During the year, flooring was purchased for \$2,028 from a company controlled by a director of the Organization. This expenditure has been included as an addition to capital assets.

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

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.

Credit risk

The Organization does have credit risk in accounts receivable of \$7,650 (2015 - \$6,705). 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.

8. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.