

Hospital Family Houses of Ontario

Financial Statements

December 31, 2017



April 3, 2018

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, 2017, and the statements of operations and changes in 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.



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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, 2017 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 Mastrolucchi LLP

Chartered Accountants
Licensed Public Accountants

Hamilton, Ontario

Hospital Family Houses of Ontario

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | | | December 31 | |
|--|-------------------|---------------------|---------------------|---------------------|
| | General Fund | Capital Fund | 2017 Total | 2016 Total |
| Assets | | | | |
| Current assets | | | | |
| Cash | \$ 88,886 | \$ 164,059 | \$ 252,945 | \$ 212,895 |
| Short-term investments (Note 2) | 106,767 | 25,000 | 131,767 | 126,428 |
| Accounts receivable | 8,865 | - | 8,865 | 7,650 |
| GST/HST Public Service Bodies' Rebate receivable | 4,934 | 1,401 | 6,335 | 6,573 |
| Prepaid expenses | 26,518 | - | 26,518 | 6,513 |
| | <u>235,970</u> | <u>190,460</u> | <u>426,430</u> | <u>360,059</u> |
| Building, furniture, fixtures and equipment (Note 3) | <u>-</u> | <u>2,126,529</u> | <u>2,126,529</u> | <u>2,201,270</u> |
| | <u>\$ 235,970</u> | <u>\$ 2,316,989</u> | <u>\$ 2,552,959</u> | <u>\$ 2,561,329</u> |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities (Note 4) | \$ 30,833 | \$ - | \$ 30,833 | \$ 27,237 |
| Net Assets | | | | |
| Unrestricted | 205,137 | - | 205,137 | 201,297 |
| Externally restricted | - | 10,000 | 10,000 | - |
| Internally restricted | - | 180,460 | 180,460 | 131,525 |
| Invested in capital assets | <u>-</u> | <u>2,126,529</u> | <u>2,126,529</u> | <u>2,201,270</u> |
| | <u>205,137</u> | <u>2,316,989</u> | <u>2,522,126</u> | <u>2,534,092</u> |
| | <u>\$ 235,970</u> | <u>\$ 2,316,989</u> | <u>\$ 2,552,959</u> | <u>\$ 2,561,329</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, 2017, with comparative information for 2016

| | Year ended December 31, 2017 | | | Year ended December 31, 2016 | | |
|---|------------------------------|---------------------|---------------------|------------------------------|---------------------|---------------------|
| | General Fund | Capital Fund | Total | General Fund | Capital Fund | Total |
| Revenues | | | | | | |
| Accommodation rent | \$ 317,835 | \$ - | \$ 317,835 | \$ 309,015 | \$ - | \$ 309,015 |
| Donations | 179,364 | 10,000 | 189,364 | 230,642 | - | 230,642 |
| Fundraising | 89,036 | - | 89,036 | 124,318 | - | 124,318 |
| Unrealized gains on short-term investments | 5,339 | - | 5,339 | 7,373 | - | 7,373 |
| | <u>591,574</u> | <u>10,000</u> | <u>601,574</u> | <u>671,348</u> | <u>-</u> | <u>671,348</u> |
| Expenses | | | | | | |
| Wages and benefits | 334,538 | - | 334,538 | 342,583 | - | 342,583 |
| Amortization | - | 90,806 | 90,806 | - | 89,428 | 89,428 |
| Office and general | 45,941 | - | 45,941 | 42,051 | - | 42,051 |
| Utilities | 41,514 | - | 41,514 | 49,218 | - | 49,218 |
| Repairs and maintenance | 17,203 | - | 17,203 | 30,833 | - | 30,833 |
| Golf tournament | 16,285 | - | 16,285 | 25,536 | - | 25,536 |
| Insurance | 15,411 | - | 15,411 | 14,164 | - | 14,164 |
| Equipment rental | 10,837 | - | 10,837 | 10,842 | - | 10,842 |
| Interest and bank charges | 9,759 | - | 9,759 | 12,766 | 2 | 12,768 |
| Telephone | 9,620 | - | 9,620 | 8,966 | - | 8,966 |
| Professional fees | 6,008 | - | 6,008 | 5,717 | - | 5,717 |
| Other fundraising | 3,784 | - | 3,784 | 5,884 | - | 5,884 |
| Security | 3,243 | - | 3,243 | 3,737 | - | 3,737 |
| Continuing education | 2,158 | - | 2,158 | 5,237 | - | 5,237 |
| Supplies | 1,974 | - | 1,974 | 1,416 | - | 1,416 |
| Volunteering | 1,945 | - | 1,945 | 2,994 | - | 2,994 |
| Fees and dues | 1,450 | - | 1,450 | 1,655 | - | 1,655 |
| Travel and meetings | 532 | - | 532 | 992 | - | 992 |
| Property tax | 530 | - | 530 | 331 | - | 331 |
| Rent (Note 5) | 2 | - | 2 | 2 | - | 2 |
| | <u>522,734</u> | <u>90,806</u> | <u>613,540</u> | <u>564,924</u> | <u>89,430</u> | <u>654,354</u> |
| Excess (deficiency) of revenues over expenses for the year | 68,840 | (80,806) | (11,966) | 106,424 | (89,430) | 16,994 |
| Net assets at the beginning of the year | 201,297 | 2,332,795 | 2,534,092 | 169,873 | 2,347,225 | 2,517,098 |
| Interfund transfers (Note 6) | (65,000) | 65,000 | - | (75,000) | 75,000 | - |
| Net assets at the end of the year | \$ 205,137 | \$ 2,316,989 | \$ 2,522,126 | \$ 201,297 | \$ 2,332,795 | \$ 2,534,092 |

See accompanying notes to the financial statements.

Hospital Family Houses of Ontario

Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

| | Year ended December 31 | |
|---|------------------------|-------------------|
| | 2017 | 2016 |
| Cash flows from (used in) operating activities | | |
| (Deficiency) excess of revenues over expenses for the year | \$ (11,966) | \$ 16,994 |
| Items not involving cash | | |
| Amortization | 90,806 | 89,428 |
| Unrealized gains on short-term investments | <u>(5,339)</u> | <u>(7,373)</u> |
| | <u>73,501</u> | <u>99,049</u> |
| Net change in non-cash working capital balances relating to operations | | |
| Increase in accounts receivable | (1,215) | (945) |
| Decrease (increase) in GST/HST Public Service Bodies' Rebate receivable | 238 | (176) |
| (Increase) decrease in prepaid expenses | (20,005) | 12,973 |
| Increase in accounts payable and accrued liabilities | <u>3,596</u> | <u>5,064</u> |
| | <u>(17,386)</u> | <u>16,916</u> |
| | <u>56,115</u> | <u>115,965</u> |
| Cash flows from (used in) investing activities | | |
| Purchase of building, furniture, fixtures and equipment | <u>(16,065)</u> | <u>(14,547)</u> |
| Net increase in cash during the year | 40,050 | 101,418 |
| Cash at beginning of the year | <u>212,895</u> | <u>111,477</u> |
| Cash at end of the year | <u>\$ 252,945</u> | <u>\$ 212,895</u> |

See accompanying notes to the financial statements.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2017

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 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. 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 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, 2017

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.

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 statement of financial position date and the reported amounts of revenues and expenses during the year. 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.

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2017

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 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.

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, 2017.

3. Building, furniture, fixtures and equipment

| | Cost | Accumulated Amortization | December 31 | |
|--------------------------------------|---------------------|-----------------------------|---------------------------|---------------------------|
| | | | 2017 Net Book Value | 2016 Net Book Value |
| Building | \$ 2,342,852 | \$ 356,303 | \$ 1,986,549 | \$ 2,029,051 |
| Furniture, fixtures and equipment | 300,772 | 167,035 | 133,737 | 164,135 |
| Signs | 18,408 | 12,165 | 6,243 | 8,084 |
| | <u>\$ 2,662,032</u> | <u>\$ 535,503</u> | <u>\$ 2,126,529</u> | <u>\$ 2,201,270</u> |

Hospital Family Houses of Ontario

Notes to Financial Statements

December 31, 2017

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$6,733 (2016 - \$820), which includes amounts payable for payroll related taxes.

5. Commitments

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 \$65,000 (2016 - \$75,000) from the unrestricted General Fund to the restricted 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 \$2,230 (2016 - \$2,933). The company that provided the goods and services is controlled by a director of the Organization. These expenditures have been included in volunteering, golf tournament and office and general 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. 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 \$8,865 (2016 - \$7,650). 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.

9. 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 results.