

**Hospital Family Houses of Ontario**

**Financial Statements**

**December 31, 2018**



April 1, 2019

## 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, 2018, and the statement 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, 2018, and its results of operations and 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 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.

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 auditor's 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.



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### **Independent Auditor's Report, continued**

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*Pettinelli Martolucci LLP*

**Chartered Accountants  
Licensed Public Accountants**

**Hamilton, Ontario**

# Hospital Family Houses of Ontario

## Statement of Financial Position

December 31, 2018, with comparative information for 2017

	General Fund	Capital Fund	December 31	
			2018 Total	2017 Total
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 132,598	\$ 329,915	\$ 462,513	\$ 252,945
Short-term investments (Note 2)	87,305	50,000	137,305	131,767
Accounts receivable	3,120	-	3,120	8,865
GST/HST Public Service Bodies' Rebate receivable	7,339	599	7,938	6,335
Prepaid expenses	2,295	-	2,295	26,518
	<u>232,657</u>	<u>380,514</u>	<u>613,171</u>	<u>426,430</u>
Building, furniture, fixtures and equipment (Note 3)	<u>-</u>	<u>2,058,236</u>	<u>2,058,236</u>	<u>2,126,529</u>
	<u>\$ 232,657</u>	<u>\$ 2,438,750</u>	<u>\$ 2,671,407</u>	<u>\$ 2,552,959</u>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (Note 4)	\$ 29,450	\$ -	\$ 29,450	\$ 30,833
<b>Net Assets</b>				
Unrestricted	203,207	-	203,207	205,137
Externally restricted	-	6,000	6,000	10,000
Internally restricted	-	374,514	374,514	180,460
Invested in capital assets	<u>-</u>	<u>2,058,236</u>	<u>2,058,236</u>	<u>2,126,529</u>
	<u>203,207</u>	<u>2,438,750</u>	<u>2,641,957</u>	<u>2,522,126</u>
	<u>\$ 232,657</u>	<u>\$ 2,438,750</u>	<u>\$ 2,671,407</u>	<u>\$ 2,552,959</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, 2018, with comparative information for 2017

	Year ended December 31, 2018			Year ended December 31, 2017		
	General Fund	Capital Fund	Total	General Fund	Capital Fund	Total
<b>Revenues</b>						
Donations	\$ 335,416	\$ 12,795	\$ 348,211	\$ 179,364	\$ 10,000	\$ 189,364
Accommodation rent	311,625	-	311,625	317,835	-	317,835
Fundraising	105,842	-	105,842	89,036	-	89,036
Interest and investment income	5,538	600	6,138	5,339	-	5,339
	<u>758,421</u>	<u>13,395</u>	<u>771,816</u>	<u>591,574</u>	<u>10,000</u>	<u>601,574</u>
<b>Expenses</b>						
Wages and benefits	353,056	-	353,056	334,538	-	334,538
Amortization	-	91,634	91,634	-	90,806	90,806
Utilities	42,888	-	42,888	41,514	-	41,514
Office and general	42,708	-	42,708	45,941	-	45,941
Repairs and maintenance	33,882	-	33,882	17,203	-	17,203
Insurance	15,671	-	15,671	15,411	-	15,411
Equipment rental	13,440	-	13,440	10,837	-	10,837
Golf tournament	11,481	-	11,481	16,285	-	16,285
Interest and bank charges	10,917	-	10,917	9,759	-	9,759
Telephone	10,715	-	10,715	9,620	-	9,620
Other fundraising	7,881	-	7,881	3,784	-	3,784
Professional fees	6,236	-	6,236	6,008	-	6,008
Security	3,660	-	3,660	3,243	-	3,243
Supplies	2,263	-	2,263	1,974	-	1,974
Continuing education	2,195	-	2,195	2,158	-	2,158
Volunteering	1,085	-	1,085	1,945	-	1,945
Fees and dues	1,004	-	1,004	1,450	-	1,450
Property tax	689	-	689	530	-	530
Travel and meetings	578	-	578	532	-	532
Rent (Note 5)	2	-	2	2	-	2
	<u>560,351</u>	<u>91,634</u>	<u>651,985</u>	<u>522,734</u>	<u>90,806</u>	<u>613,540</u>
<b>Excess (deficiency) of revenues over expenses for the year</b>	198,070	(78,239)	119,831	68,840	(80,806)	(11,966)
<b>Net assets at the beginning of the year</b>	205,137	2,316,989	2,522,126	201,297	2,332,795	2,534,092
<b>Interfund transfers (Note 6)</b>	<u>(200,000)</u>	<u>200,000</u>	<u>-</u>	<u>(65,000)</u>	<u>65,000</u>	<u>-</u>
<b>Net assets at the end of the year</b>	<u>\$ 203,207</u>	<u>\$ 2,438,750</u>	<u>\$ 2,641,957</u>	<u>\$ 205,137</u>	<u>\$ 2,316,989</u>	<u>\$ 2,522,126</u>

See accompanying notes to the financial statements.

# Hospital Family Houses of Ontario

## Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	Year ended December 31	
	2018	2017
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ 119,831	\$ (11,966)
Items not involving cash		
Amortization	91,634	90,806
Unrealized investment income	(5,538)	(5,339)
	<u>205,927</u>	<u>73,501</u>
Net change in non-cash working capital balances relating to operations		
Decrease (increase) in accounts receivable	5,745	(1,215)
(Increase) decrease in GST/HST Public Service Bodies' Rebate receivable	(1,603)	238
Decrease (increase) in prepaid expenses	24,223	(20,005)
(Decrease) increase in accounts payable and accrued liabilities	(1,383)	3,596
	<u>26,982</u>	<u>(17,386)</u>
	<u>232,909</u>	<u>56,115</u>
Cash flows from (used in) investing activities		
Purchase of building, furniture, fixtures and equipment	(23,341)	(16,065)
Net increase in cash during the year	209,568	40,050
Cash at beginning of the year	<u>252,945</u>	<u>212,895</u>
Cash at end of the year	<u>\$ 462,513</u>	<u>\$ 252,945</u>

See accompanying notes to the financial statements.

# Hospital Family Houses of Ontario

## Notes to Financial Statements

December 31, 2018

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### 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. 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 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, 2018**

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### 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 earned on held 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.

#### 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.

# Hospital Family Houses of Ontario

## Notes to Financial Statements

**December 31, 2018**

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### 1. Significant accounting policies, continued

#### Financial instruments, continued

##### (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.

### 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, 2018.

### 3. Building, furniture, fixtures and equipment

	Cost	Accumulated Amortization	December 31	
			2018 Net Book Value	2017 Net Book Value
Building	\$ 2,342,852	\$ 414,875	\$ 1,927,977	\$ 1,986,549
Furniture, fixtures and equipment	324,113	198,256	125,857	133,737
Signs	<u>18,408</u>	<u>14,006</u>	<u>4,402</u>	<u>6,243</u>
	<u>\$ 2,685,373</u>	<u>\$ 627,137</u>	<u>\$ 2,058,236</u>	<u>\$ 2,126,529</u>

# Hospital Family Houses of Ontario

## Notes to Financial Statements

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### 4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$6,923 (2017 - \$6,733), 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:

2019	\$	7,475
2020		6,993
2021		<u>1,165</u>
	\$	<u>15,633</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.

### 6. Interfund transfers

During the year, the Organization transferred \$200,000 (2017 - \$65,000) from the unrestricted General Fund to the restricted Capital Fund to support ongoing renovations, improvements and capital expenditures.

### 7. Contribution in-kind

During the year, a donor contributed a commercial dishwasher to the Organization which was recognized in the Capital Fund at its fair value of \$6,795.

### 8. Related party transactions

During the year, the Organization engaged in transactions with a related party totaling \$1,330 (2017 - \$2,230). The company that provided the goods and services is controlled by a director of the Organization. These expenditures have been included in golf tournament and office and general in the statement of operations. In the current year, the entire amount was donated back to the Organization.

In addition, the Organization engaged in contracting services provided by a company controlled by a director of the Organization totaling \$785 (2017 - \$Nil). These expenditures have been included in repairs and maintenance in the statement of operations.

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

# Hospital Family Houses of Ontario

## Notes to Financial Statements

December 31, 2018

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### 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 \$3,120 (2017 - \$8,865). 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.