Hospice Huronia
Financial Statements
For the year ended March 31, 2023

Contents

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Independent Auditor's Report

To the Board of Directors of Hospice Huronia

Qualified Opinion

We have audited the accompanying financial statements of Hospice Huronia (the organization), which comprise the statement of financial position as at March 31, 2023, and the statements of operations, 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 possible 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 the organization as at March 31, 2023, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the organization derives revenues 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 revenues, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 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 audit 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.

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.

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.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
June 22, 2023

Hospice Huronia
Statement of Financial Position

March 31	2023	2022
Assets		
Current		
Cash (note 2)	$ 192,574	$ 507,403
Short-term investments (note 4)	807,296	306,516
Accounts receivable (note 3)	200,921	86,399
Prepaid expenses	25,949	30,008
	1,226,740	930,326
Capital Assets, at cost less accumulated amortization (note 5)	4,770,706	4,868,864
	$ 5,997,446	$ 5,799,190
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 90,711	$ 145,236
Government remittances payable	1,613	4,329
Due to Ministry of Health (note 6)	2,775	10,135
Deferred contributions (note 10)	50,833	29,368
Canada Emergency Business Account (CEBA) loan (note 9)	40,000	-
Current portion of long-term debt (note 8)	-	16,829
	185,932	205,897
Canada Emergency Business Account (CEBA) Loan (note 9)	-	40,000
Long-Term Debt (note 8)	-	475,559
Deferred Contributions Related to Capital Assets (note 11)	4,444,014	4,119,250
Net Assets		
Internally restricted (note 16)	300,000	300,000
Unrestricted	1,067,500	658,484
	1,367,500	958,484
	$ 5,997,446	$ 5,799,190

On behalf of the Board:

J. Larue Director Sue Cousineau Director

The accompanying notes are an integral part of these financial statements.

Hospice Huronia
Statement of Operations

For the year ended March 31		2023		2022
Revenues				
Ministry of Health - base	$	626,861	$	624,864
- one-time		201,320		260,944
Donations and fundraising		871,894		653,231
Amortization of deferred contributions related to capital assets (note 11)		143,583		131,378
Ontario Trillium Foundation grants		184,190		256,956
Other grants		14,740		15,295
Investment income		17,339		2,235
		2,059,927		1,944,903
Expenses				
Residential Hospice				
Compensation		834,673		807,289
Supplies		35,702		12,079
Sundry		16,550		11,695
Building and grounds		784		704
		887,709		831,767
Visiting Hospice				
Compensation		127,860		63,507
Supplies		3,480		268
Sundry		29,868		3,465
		161,208		67,240
Support Services Training				
Compensation		94,770		101,834
Supplies		-		3,100
Sundry		-		5,900
		94,770		110,834
Administration				
Amortization		152,882		147,814
Compensation		32,461		35,031
Supplies		26,084		34,093
Sundry (note 14)		72,020		104,784
Equipment		3,691		11,968
Interest on debt		21,518		31,877
Buildings and grounds		30,462		28,027
Utilities		46,533		42,256
		385,651		435,850
Fundraising				
Compensation		98,886		74,791
Supplies		1,611		2,871
Sundry		21,076		23,693
		121,573		101,355
Total expenses		1,650,911		1,547,046
Excess of revenues over expenses for the year	$	409,016	$	397,857

The accompanying notes are an integral part of these financial statements.

Hospice Huronia
Statement of Changes in Net Assets

For the year ended March 31			2023	2022
	Internally Restricted	Unrestricted	Total	Total
	(note 16)			
Balance, beginning of year	$ 300,000	$ 658,484	$ 958,484	$ 560,627
Excess of revenues over expenses for the year	-	409,016	409,016	397,857
Balance, end of year	$ 300,000	$ 1,067,500	$ 1,367,500	$ 958,484

The accompanying notes are an integral part of these financial statements.

Hospice Huronia
Statement of Cash Flows

For the year ended March 31	2023	2022
Cash flows from operating activities		
Excess of revenues over expenses for the year	$ 409,016	$ 397,857
Charges (credits) to operations not involving cash		
Amortization of deferred contributions related to capital assets	(143,583)	(131,378)
Amortization of capital assets	152,882	147,814
	418,315	414,293
Change in non-cash working capital balances related to operations		
Accounts receivable	(114,522)	(57,180)
Prepaid expenses	4,059	(13,062)
Accounts payable and accrued liabilities	(54,525)	43,303
Government remittances payable	(2,716)	(18,211)
Due to the Ministry of Health	(7,360)	2,775
Deferred contributions	21,465	(79,769)
	264,716	292,149
Cash flows from investing activities		
Purchase of capital assets	(54,724)	(43,934)
Increase in investments	(500,780)	(195,690)
	(555,504)	(239,624)
Cash flows from financing activities		
Increase in deferred contributions related to capital assets	468,347	5,000
Repayment of long-term debt	(492,388)	(253,650)
	(24,041)	(248,650)
Net decrease in cash during the year	(314,829)	(196,125)
Cash, beginning of the year	507,403	703,528
Cash, end of the year	$ 192,574	$ 507,403

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Nature of Organization

Hospice Huronia (the "organization") is an incorporated not-for-profit organization without share capital under the Corporations Act (Ontario). The organization serves individuals and their families who are facing a life threatening illness or grieving the loss of a loved one. The organization operates a residential hospice providing accommodation and end of life care for individuals with terminal illnesses.

Basis of Accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The significant estimates made in the preparation of these financial statements include the fair value of financial instrument and the estimated useful life of capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition

The organization follows the deferral method of accounting for contributions which includes donations and government subsidies. Operating revenue, including grants and subsidies are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that future period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized.

Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Interest revenues are recorded when earned.

1. Significant Accounting Policies (continued)

Income Taxes

The organization is not subject to federal or provincial income taxes pursuant to exemptions accorded to registered charities in the income tax legislation.

Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair market value at the date of contribution. Where fair market value cannot be reasonably determined, contributed assets are recorded at nominal amounts.

Amortization is provided on capital assets based on a straight-line basis over their estimated useful lives as follows:

Furniture and equipment	10 years
Building	40 years
Computer hardware and software	5 years

Pledges

Pledges, which represent promises to donate cash, are not recorded as revenue until collected, unless the ultimate collection is reasonably assured.

In-Kind Contributions

Contributions of assets are recognized in the period they are donated at their fair market value when a fair value can be reasonably estimated and when the assets are used in the normal course of the organization's operations and would otherwise have been purchased.

Contributed services are not recognized in the financial statements due to the inherent difficulty in valuing the time of volunteers.

Allocation of Expenses

The organization operates three separate programs: Residential Hospice, Visiting Hospice and Support Services Training. Additionally, the organization pursues fundraising activities to supplement its income. The costs of each program includes expenses as detailed on the statement of operations. The organization also incurs general and administrative expenses that are common to the administration of the organization and each of its programs. The organization allocates certain general and administrative expenses to the programs on a pro rata basis based on budgeted amounts.

March 31, 2023

1. Significant Accounting Policies (continued)

Pension Plan

The organization applies defined contribution plan accounting to its multi-employer defined benefit plan for which the organization has insufficient information to apply defined benefit plan accounting (see note 15).

Financial Instruments

Investment reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities and guaranteed investment certificates that the organization designates upon purchase to be measured at fair value. Investments in fixed income securities not designated to be measured at fair value and equity instruments not quoted in an active market are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost less any provision for impairment.

All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Impairment of Long Lived Assets

In the event that facts and circumstances indicate that the organization's long lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow is required. The organization considers that no circumstances exist that would require such evaluation.

2. Cash

The organization's bank accounts are held at a credit union. The bank accounts earn interest at a variable rate dependent on the monthly minimum balances.

3. Accounts Receivable

	2023	2022
HST recoverable	$ 25,621	$ 28,025
Grants receivable	-	20,787
Government remittances recoverable	-	14,143
Due from Ministry of Health	175,300	23,444
	$ 200,921	$ 86,399

4. Short-Term Investments

	2023	2022
Cash held with investment company	$ -	$ 130
Guaranteed Investment Certificate, interest at 3.75%, maturity date of August 23, 2023	6,386	-
Guaranteed Investment Certificate, interest at 5.05%, maturity date of June 24, 2023	200,000	-
Guaranteed Investment Certificate, interest at 5.21%, maturity date of September 24, 2023	200,000	-
Guaranteed Investment Certificate, interest at 4.90%, maturity date of December 24, 2023	200,000	-
Guaranteed Investment Certificate, interest at 4.79%, maturity date of March 24, 2024	200,000	-
Guaranteed Investment Certificate, interest at 1.05%, maturity date of August 20, 2022	-	6,386
Guaranteed Investment Certificate, interest at 2.15%, maturity date of March 30, 2023	-	150,000
Guaranteed Investment Certificate, interest at 1.55%, maturity date of September 26, 2022	-	150,000
Accrued interest	910	-
	$ 807,296	$ 306,516

The investments have been recorded on the statement of financial position at their fair market value as at March 31, 2023.

March 31, 2023

5. Capital Assets

	2023		2022	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land and development costs	$ 135,350	$ -	$ 135,350	$ -
Computer hardware and software	64,066	44,055	43,693	36,242
Furniture and fixtures	253,912	70,689	219,561	47,016
Building	4,855,827	423,705	4,855,827	302,309
	$ 5,309,155	$ 538,449	$ 5,254,431	$ 385,567
Net book value		$ 4,770,706		$ 4,868,864

6. Contingency

The organization receives funding from the Ministry of Health. The amount of funding provided to the organization is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the period April 1, 2022 to March 31, 2023 had not been subject to this review process. Any future adjustments required as a result of this review will be accounted for in the year the adjustment is determined.

7. Credit Facilities

The organization has available credit facilities with the Meridian Credit Union ("Meridian"). The credit facilities include a non revolving loan to a maximum limit of $700,000, standby letters of credit to a maximum of $30,824 (2022 - $36,883), and available credit cards to a maximum of $5,000. Meridian can terminate the credit facilities at any time.

The construction loan was available on a demand basis at a floating rate of prime plus 1.75%. The organization was required to pay interest only on a monthly basis with the full amount repaid within twelve months of the initial advance. The amounts drawn against this facility by the organization as at March 31, 2023 is $NIL (2022 - $NIL). During 2022, the construction loan was converted into a non revolving term loan (see below).

The non revolving loan has a term of 5 years with payments to be calculated based on a maximum amortization period of 20 years from the initial date of drawdown. The fixed rate of interest is 4% with equal monthly blended payments of principal and interest of $3,018. The amount drawn against this credit facility at March 31, 2023 is $NIL (2022 - $492,388) (see note 8).

Any drawdowns under the letters of credit will be converted to direct borrowings under the demand loan (construction). Fees are paid on an annual basis and automatically renewed annually subject to notice to the beneficiary within 30 days of the expiry date. The amounts drawn against this facility by the organization as of March 31, 2023 is $NIL (2022 - $NIL). This letter of credit has been cancelled as of May 11, 2023.

The above credit facilities are secured by a general security agreement over all of the organization's present and after acquired personal property; collateral mortgage for $1,250,000 on the property and buildings located at 948 Fuller Avenue, Penetanguishene, Ontario; assignment of rents and leases on the property and buildings located at 948 Fuller Avenue; assignment of fire insurance, indicating Meridian as the first loss payee or first mortgagee on the subject property and buildings located at 948 Fuller Avenue; assignment of builders all risk and wrap up liability insurance with Meridian listed as 1st loss payee/1st mortgagee; evidence of comprehensive general liability insurance of $5,000,000 to be carried by the organization with Meridian shown as additional insured; assignment of funds on deposit in the amount of $6,000.

The agreement governing the loan facility contains certain covenants regarding debt service coverage. Meridian requires the organization to maintain a debt service ratio greater than or equal to 1.15 measured on an annual basis and to commence with the first full fiscal period subsequent to the drawdown of the non-revolving loan.

8. Long-Term Debt

	2023	2022
Non revolving loan, Meridian Credit Union, interest at 4.00%, repayable in blended monthly installments of principal and interest of $3,018, due October 22, 2026, see note 7 for security	$ -	$ 492,388
Less amount due within one year included in current liabilities	-	(16,829)
	$ -	$ 475,559

This credit facility was repaid on March 24, 2023.

9. Government Assistance

The organization received the Canada Emergency Business Account (CEBA) loan for $60,000 in 2021. This Federal program is designed to help cover operating costs for organizations experiencing temporary revenue reductions as a result of COVID-19. The program provides an interest free loan to eligible entities with the possibility for a portion to be forgiven if a third of the loan is repaid by December 31, 2023. As a result, $20,000 of this loan was recognized in income in 2021. In the event the loan is not repaid by December 31, 2023, the loan is converted to a 2 year loan with 5% interest rate, monthly interest payments only are required on a monthly basis beginning January 31, 2024, with a maturity date of the full principal amount on December 31, 2025.

10. Deferred Contributions

This amount represents grant funding received from the Ontario Trillium Foundation and for Meditech Expanse Hospice Platform which was unspent as at March 31, 2023. The funds are to be used to offset future expenses incurred by the organization for specific programs.

March 31, 2023

11. Deferred Contributions Related to Capital Assets

Deferred contributions represent the unamortized amount of grants and restricted donations received to be used in the purchase of certain assets or in the settlement of certain obligations. The amortization of these contributions is recorded as revenue in the statement of operations.

	2023	2022
Balance, beginning of year	$ 4,119,250	$ 4,244,028
Donations received for the purchase of capital assets	5,900	5,000
Donation of furniture and equipment	-	1,600
Contributions received from the Second Harvest Emergency Food Security Fund for capital purchases	11,815	-
Contributions received from the County of Simcoe for capital purchases	441,673	-
Contribution received from the Ontario Trillium Foundation for capital purchases	8,959	-
Amounts amortized to revenue	(143,583)	(131,378)
Balance, end of year	$ 4,444,014	$ 4,119,250

12. Pledges

The balance of outstanding donation pledges related to the capital campaign are as follows:

	2023	2022
Balance of outstanding pledges, beginning of year	$ -	$ 4,941
Pledges collected during the year	-	(4,941)
Balance of outstanding pledges, end of year	$ -	$ -

March 31, 2023

13. Economic Dependence

The organization received 40% (2022 - 46%) of its revenue from the Ministry of Health.

14. Administrative Sundry Expenses

	2023	2022
Advertising	$ 948	$ 3,905
Bank charges	491	3,872
Data and software licences	10,365	21,067
Insurance	9,991	9,242
Memberships and subscriptions	6,891	5,706
Office expenses	7,018	13,664
Other sundry	2,128	19,476
Professional fees	33,886	27,456
Travel	302	396
	$ 72,020	$ 104,784

15. Pension Plan

All permanent employees of the organization are members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The Plan provides pension services to more than 439,000 active and retired members and approximately 646 employers. The Plan is a multi-employer plan and therefore the organization's contributions are accounted for as if the Plan were a defined contribution plan with the organization's contributions being expensed in the period they come due. Each year, an independent actuary determines the funding status of the Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent valuation as at December 31, 2022 disclosed a surplus of $10,953 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of $174,144 million in respect of benefits accrued for service with actuarial assets at that date of $185,097 million. Because the Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the organization does not recognize any share of the Plan surplus or deficit.

Employer contributions made to the Plan during the year by the organization amount to $66,572 (2022 - $79,643) and is included in compensation expense.

16. Contingency Fund

The board of directors has established a contingency fund to be used to offset unforeseen future expenses. The use of the funds are subject to the approval of the board of directors.

17. Financial Instruments

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its bank accounts being held in one financial institution in excess of the amount insured by agencies of the federal government in the amount of $250,000. The organization is also exposed to credit risk arising from its accounts receivable. The majority of the organization's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, government remittances payable, amounts due to Ministry of Health, long-term debt and CEBA loan.

There have been no changes to the organization's financial instrument risk exposure from the prior year.

18. Allocation of Expenses

The organization classifies their expenses by function and allocates corporate administrative expenses from one function to another as described in note 1 - Significant Accounting Policies. Expenses have been allocated to various programs as follows:

	Residential Hospice	Visiting Hospice	Support Services Training	Fundraising	2023 Total
Compensation	$ 32,169	$ 18,312	$ 14,914	$ 33,689	$ 99,084

	Residential Hospice	Visiting Hospice	Support Services Training	Fundraising	2022 Total
Compensation	$ 30,666	$ 15,540	$ 15,540	$ 31,081	$ 92,827

19. Related Party Transactions

During the year, the organization received donations of $7,299 (2022 - $14,057) from the board of directors. These transactions were carried out in the normal course of operations and are recorded at their exchange amount.