Financial Statements of

ST. JOSEPH'S-HOSPICE OF LONDON

Year ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of St. Joseph's Hospice of London

We have audited the accompanying financial statements of St. Joseph's-Hospice of London, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in fund balances, and cash flows for the year then ended and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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 charitable organizations, St. Joseph's-Hospice of London derives revenue from donations, 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 entity and we were not able to determine whether, as at and for the years ended March 31, 2017 and March 31, 2016, any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2016.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of St. Joseph's-Hospice of London as at March 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 21, 2017

London, Canada

ST. JOSEPH'S-HOSPICE OF LONDON
Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	$ 390,067	$ 608,109
Accounts receivable	39,704	15,119
Prepaid expenses and deposits	38,439	20,513
Due from related party (note 12)	44,950	-
Short term deposits (note 3)	1,363,437	803,242
	1,876,597	1,446,983
Endowed investments (note 3)	158,688	75,000
Capital assets (note 4)	2,950,622	3,117,657
	$ 4,985,907	$ 4,639,640
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	$ 69,700	$ 54,554
Deferred revenue (note 6)	142,202	63,025
	211,902	117,579
Deferred capital contributions (note 8)	2,887,938	3,075,004
Fund balances:		
Unrestricted	1,628,545	1,329,404
Investment in net assets (note 10)	62,684	42,653
Endowment	158,688	75,000
Internally restricted	36,150	-
	1,886,067	1,447,057
Commitment (note 11)		
	$ 4,985,907	$ 4,639,640

See accompanying notes to financial statements.

On behalf of the Board:

____________ Director ____________ Director

ST. JOSEPH'S-HOSPICE OF LONDON

Statement of Operations

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

	2017	2016
Revenue:		
Community Care Access Centre	$ 1,074,839	$ 964,311
Fundraising	588,375	926,444
Donations	732,156	296,071
Ministry of Health	281,739	263,142
Amortization of deferred capital contributions	198,832	194,545
United Way	132,000	132,000
Project specific funding	15,000	35,000
Bank interest	16,883	3,603
United Way designated	3,596	3,477
	3,043,420	2,818,593
Expenses:		
Salaries and benefits	1,899,206	1,867,661
Amortization	203,525	194,851
Rent	159,498	159,498
Office and administration	159,199	105,955
Fundraising	90,397	87,348
Programs	63,124	55,864
Facilities	43,058	44,248
Legal and audit	48,285	31,680
Bank charges and interest	4,080	18,088
Insurance	9,038	7,933
	2,679,410	2,573,126
Excess of revenue over expenses	$ 364,010	$ 245,467

See accompanying notes to financial statements.

ST. JOSEPH'S-HOSPICE OF LONDON

Statement of Changes in Fund Balances

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

	Unrestricted	Investment in capital assets	Endowment	Internally restricted	2017 Total	2016 Total
Fund balance, beginning of year	$1,329,404	$ 42,653	$ 75,000	$ -	$ 1,447,057	$ 1,126,590
Excess of revenue over expenses	323,865	(4,693)	8,688	36,150	364,010	245,467
Endowment contributions	-	-	75,000	-	75,000	75,000
Interfund transfer	(24,724)	24,724	-	-	-	-
Fund balance, end of year	$1,628,545	$ 62,684	$ 158,688	$ 36,150	$ 1,886,067	$ 1,447,057

See accompanying notes to financial statements.

ST. JOSEPH'S-HOSPICE OF LONDON

Statement of Cash Flows

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

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 364,010	$ 245,467
Adjustments for:		
Amortization of capital assets	203,525	194,851
Amortization of deferred capital contributions	(198,832)	(194,545)
Changes in non-cash operating working capital:		
Accounts receivable	(24,585)	22,559
Prepaid expenses	(17,926)	(12,981)
Accounts payable and accrued liabilities	15,146	15,327
Deferred revenue	79,177	28,018
Due from related party	(44,950)	-
	375,565	298,696
Financing activities:		
Receipt of deferred capital contributions	11,766	49,369
Endowment contributions	75,000	75,000
	86,766	124,369
Investing activities:		
Net change in investments	(643,883)	(878,242)
Purchase of capital assets	(36,490)	(91,211)
	(680,373)	(969,453)
Decrease in cash	(218,042)	(546,388)
Cash, beginning of year	608,109	1,154,497
Cash, end of year	$ 390,067	$ 608,109

See accompanying notes to financial statements.

1. Nature of operations:

St. Joseph's-Hospice of London ("Organization") was incorporated in December, 2011 under the laws of Canada as a corporation without share capital. The Organization provides palliative, caregiver, and bereavement support to individuals and families focusing on physical, emotional, social, and spiritual needs. The Organization provides a variety of support programs offered in a client's home or at the facility. In keeping with the Hospice philosophy of care, all programs and services are offered to clients at no cost. Funding comes from two main partners: the South West Local Health Integration Network ("SWLHIN") and the United Way of London and Middlesex. The remaining funds are generated through general donations, fundraising events, in memory and in honour gifts, planned giving, grants, corporate sponsors, and foundations.

On April 1, 2012, all assets and liabilities of Hospice London Inc., an organization incorporated in October, 1985, were transferred to St. Joseph's-Hospice of London.

2. Significant accounting policies:

The financial statements of the Organization have been prepared by management in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CPA Handbook - Accounting. The significant accounting policies adopted by the Organization are summarized below:

(a) Revenue recognition**:**

The Organization follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year. Unspent grants due back to the funding organization are recorded as a liability due back to the funding organization.

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

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowed contributions are recognized as a direct increase in net assets in the year the contribution is received.

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Gifts of capital assets, where an income tax receipt has been issued, are recorded at their fair market value on the date of receipt and related contributions are amortized into revenue at a rate corresponding with the amortization rate of the related capital assets.

(b) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Organization in carrying out its fundraising activities. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(c) Investments:

Investments consist of short term deposits and pooled investment funds, all of which are recorded at market value. Pooled investment funds are valued based on reported unit values for each fund.

Investment income, which consists of interest, income distributions from pooled funds and unrealized gains and losses on cash and short term deposits, is recorded as revenue in the statement of operations. Realized gains and losses are recorded as revenue in the statement of operations in the year that investments are sold.

(d) Capital assets:

Capital assets are recorded at cost. Amortization is provided on a straight-line and declining balance basis over the estimated useful lives as follows:

Asset		Rate
Leasehold improvements	Term of lease	30 years
Telephone system	Straight-line	10 years
Furniture and fixtures	Straight-line	5-10 years
Computer equipment	Declining balance	30%

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2. Significant accounting policies (continued):

(e) 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 financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Short-term deposits and endowed investments are carried at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Impairment of long-lived assets:

Long-lived assets are tested for recoverability when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

3. Investments:

Short term deposits have maturities ranging from four months to one year and earn between 0.8% - 1.0%. Endowed investments consist of pooled funds.

		2017		2016
	Cost	Market	Cost	Market
Short term deposits	$ 1,363,437	$ 1,363,437	$ 800,000	$ 803,242
Pooled funds	150,599	158,688	75,388	75,000
	$ 1,514,036	$ 1,522,125	$ 875,388	$ 878,242

4. Capital assets:

			2017	2016
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	$ 2,881,758	$ 300,808	$ 2,580,950	$ 2,677,008
Telephone system	25,491	8,072	17,419	19,968
Furniture and fixtures	592,571	272,109	320,462	389,630
Computer equipment	73,292	41,501	31,791	31,051
	$ 3,573,112	$ 622,490	$ 2,950,622	$ 3,117,657

During the year, amortization of $203,525 (2016 - $194,851) was recorded.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (2016 - $17), which includes payroll related taxes. All amounts are current.

6. Deferred revenue:

	2017	2016
Fund a Need - Handbags for Hospice fundraising	$ 15,637	$ 20,703
Fund a Need - Four Seasons fundraising	28,225	26,685
Handbags for Hospice sponsorships and tickets	5,840	9,637
Hike for Hospice sponsorships	5,000	5,000
CCAC Funding	87,500	-
Other	-	1,000
	$ 142,202	$ 63,025

7. Line of credit:

The Organization has a credit agreement with Toronto-Dominion Bank, which includes an operating line of credit of $250,000. The interest rate for the facility is the Canadian bank prime rate. As of March 31, 2017, no funds were drawn on the operating line of credit (2016 - nil).

8. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts of grants spent on the purchase of capital assets.

The change in deferred capital contributions consists of the following:

	2017	2016
Balance, beginning year	$ 3,075,004	$ 3,220,180
Receipt of deferred capital contributions	11,766	49,369
Amortization of deferred capital contributions	(198,832)	(194,545)
Balance, end of year	$ 2,887,938	$ 3,075,004

9. Financial risk and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

10. Investment in capital assets:

Investment in capital assets consists of the following:

	2017	2016
Capital assets	$ 2,950,622	$ 3,117,657
Less amounts financed by:		
Deferred capital contributions	(2,887,938)	(3,075,004)
Investment in capital assets	$ 62,684	$ 42,653

11. Commitment:

The Organization has entered into a lease for the 3rd floor of 485 Windermere Road through to May 15, 2023 for minimum annual rental payments of $183,405. The minimum annual rental payments are to be renegotiated every three years.

12. Related party transactions:

Due from related party includes amounts owing from St. Joseph's Healthcare Society for payments made on their behalf by the Hospice.