

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)

FINANCIAL STATEMENTS

March 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of
REGIONAL HOSPICE OF QUINTE INC.

Qualified Opinion

We have audited the financial statements of **REGIONAL HOSPICE OF QUINTE INC.** (Operating as Hospice Quinte), which comprise the statement of financial position as at March 31, 2020, 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 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 Corporation as at March 31, 2020, and its results of 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 not-for-profit organizations, the Corporation derives revenue 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 Corporation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess (deficiency) of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 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 Corporation 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 for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Corporation'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.

INDEPENDENT AUDITOR'S REPORT

Those charged with governance are responsible for overseeing the Corporation'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.

Belleville, Ontario
May 28, 2020


CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
(Incorporated without share capital under laws of Ontario)
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 647,919	\$ 561,919
Accounts receivable	63,897	42,334
Prepaid expenses	<u>387,551</u>	<u>117,716</u>
	1,099,367	721,969
INVESTMENTS - note 4	789,656	716,445
CAPITAL ASSETS - note 5	<u>809,069</u>	<u>217,643</u>
	<u>\$ 2,698,092</u>	<u>\$ 1,656,057</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 23,777	\$ 20,119
Deferred revenue - note 6	<u>645,669</u>	<u>2,020</u>
	669,446	22,139
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS - note 7	<u>512,892</u>	<u>207,765</u>
	<u>1,182,338</u>	<u>229,904</u>
NET ASSETS		
Invested in capital assets	322,449	10,461
Internally restricted - note 8	574,712	712,212
Unrestricted	<u>618,593</u>	<u>703,480</u>
	1,515,754	1,426,153
	<u>\$ 2,698,092</u>	<u>\$ 1,656,057</u>

Approved by the Board

_____ Director
 _____ Director

(See accompanying notes)

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
REVENUE		
Membership fees	\$ 790	\$ 750
Donations	129,709	97,397
Subsidies - Ministry of Health and Long-Term Care/SE LHIN	155,482	158,902
- ESDC	4,192	3,797
Fundraising - Gala	-	133,103
- Other	12,757	31,804
Interest	22,369	19,604
Amortization of deferred contributions related to capital assets	-	123,127
	<u>325,299</u>	<u>568,484</u>
EXPENSES		
Advertising	55,570	9,314
Amortization of capital assets	5,286	3,130
Equipment rental	1,048	760
Fundraising	5,867	68,113
Insurance	4,303	4,379
Maintenance - equipment	2,720	19,533
- building	8,799	23,987
Memberships	3,743	3,735
Office	34,719	23,408
Professional fees	33,332	25,474
Program costs	9,341	6,156
Rent	27,577	13,408
Telephone	5,558	4,001
Travel	12,522	9,767
Training	9,217	11,851
Utilities	4,298	7,210
Wages and benefits	322,728	305,906
Volunteer	6,889	1,110
	<u>553,517</u>	<u>541,242</u>
Excess of revenue over expenses before other items	<u>(228,218)</u>	<u>27,242</u>
OTHER INCOME (EXPENSE)		
Loss on sale of capital assets	-	(33,839)
Gain (loss) on foreign exchange	(935)	2,379
Gain (loss) on sale of investments	41,519	(10,692)
Unrealized gain (loss) on fair value adjustment of investments	(12,765)	16,529
	<u>27,819</u>	<u>(25,623)</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u><u>\$ (200,399)</u></u>	<u><u>\$ 1,619</u></u>

(See accompanying notes)

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020

	<u>Invested in capital assets</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2020 Total</u>	<u>2019 Total</u>
BALANCE, beginning of year	\$ 10,461	\$ 712,212	\$ 703,480	\$ 1,426,153	\$ 1,424,534
Excess (deficiency) of revenue over expenses	20,404	-	(220,803)	(200,399)	1,619
Interfund transfers - note 8	1,584	(137,500)	135,916	-	-
Contribution of land - note 5	<u>290,000</u>	<u>-</u>	<u>-</u>	<u>290,000</u>	<u>-</u>
BALANCE, end of year	<u>\$ 322,449</u>	<u>\$ 574,712</u>	<u>\$ 618,593</u>	<u>\$ 1,515,754</u>	<u>\$ 1,426,153</u>

(See accompanying notes)

REGIONAL HOSPICE OF QUINTE INC.*(Operating as Hospice Quinte)***STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash from operations		
Revenue - net	\$ 353,118	\$ 542,861
Expenses	<u>(553,517)</u>	<u>(541,242)</u>
	(200,399)	1,619
Adjustments for:		
Amortization of capital assets	5,286	3,130
Amortization of deferred contributions related to capital assets	-	(123,127)
Loss on sale of capital assets	-	33,839
Loss (gain) on sale of investments	(41,519)	10,692
Fair market value adjustment of investments	12,765	(16,529)
Foreign exchange (gain) loss	<u>935</u>	<u>(2,379)</u>
	(222,932)	(92,755)
Change in non-cash working capital components:		
Accounts receivable	(21,563)	(24,257)
Prepaid expenses	(269,835)	(97,122)
Accounts payable and accrued liabilities	3,658	(62,112)
Deferred revenue	<u>643,649</u>	<u>(76,078)</u>
	<u>132,977</u>	<u>(352,324)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(675,825)	(446,089)
Proceeds on sale of investments	632,170	665,992
Purchase of capital assets	(308,449)	(216,388)
Proceeds on disposal of capital assets	<u>-</u>	<u>358,939</u>
	<u>(352,104)</u>	<u>362,454</u>
CASH FLOWS FROM FINANCING ACTIVITY		
Contributions received related to capital assets	<u>305,127</u>	<u>196,138</u>
INCREASE IN CASH	86,000	206,268
CASH, beginning of year	<u>561,919</u>	<u>355,651</u>
CASH, end of year	<u>\$ 647,919</u>	<u>\$ 561,919</u>

(See accompanying notes)

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

1. PURPOSE OF ORGANIZATION

The Regional Hospice of Quinte Inc. assists terminally ill patients and their caregivers by giving them support and companionship, during the patients' final stages of life, in an effort to improve their quality of life.

The Corporation is a registered charity (#11911 4452 RR0001) and as such is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Investments

The purchase and sale of investments are accounted for using settlement date accounting.

Capital assets and amortization

Capital assets are stated at cost. Amortization is provided on a straight line basis, at a half-year rate in the year of acquisition, using the following annual rates:

Furniture and equipment	10 years
Medical equipment	4 years
Buildings	25 years
Computer equipment	3 years

Construction in progress is not amortized until the asset is available for productive use, at which time they are amortized.

Revenue recognition

The Corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and its collection is reasonably assured.

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 expenditures during the reporting period. Management makes accounting estimates when determining the estimated useful life of the Corporation's capital assets and subsidy repayable. Actual results could differ from those estimates.

Donated material and services

Donated materials are recorded at fair value at the date of contribution. Donated services are not recorded by the Corporation due to the difficulty of determining their fair value.

Financial instruments

The Corporation measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The Corporation measures all its financial assets and its financial liabilities at amortized cost except for investments quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the Statement of Operations in the period incurred.

Financial assets measured at amortized cost include cash, short-term investment and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

The fair value of the equity instruments is the closing price obtained from the applicable exchange at the date of the Statement of Financial Position.

3. FINANCIAL INSTRUMENTS

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 Corporation's maximum exposure to credit risk is represented by the carrying value of its cash and accounts receivable. The Corporation's cash is on deposit with Canadian chartered banks and therefore it is management's opinion that the Corporation is not subject to significant credit risk. The Corporation's accounts receivable comprise HST rebates and fundraising proceeds collected by third parties prior to the year end but not yet remitted; it is management's opinion that the Corporation is not subject to significant credit risk with respect to accounts receivable.

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

3. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Corporation cannot meet its commitments when they become due. Liquidity risk also includes the risk of the Corporation not being able to liquidate assets in a timely manner. The Corporation's management manages this risk by reviewing expected cash flow requirements, anticipating investing and financing activities and holding assets that can be readily converted to cash.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation's transactions are primarily denominated in Canadian dollars. The Corporation is exposed to currency risk with fluctuations in the US dollar, as investments with a fair value of Nil (2019 - \$29,993) are held in US investments.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments and future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Corporation's exposure to interest rate risk arises from its interest bearing assets.

Other price risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Corporation manages other price risk by investing in low risk investments and is exposed to price risk on its equity investments.

Change in risk

There were no changes to the Corporation's risk exposure during the year.

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

4. INVESTMENTS

	2020		2019	
	Market Value	Cost	Market Value	Cost
Canadian Investments				
Fixed Income	\$ -	\$ -	\$ 405,855	\$ 402,096
Preferred shares	9,140	12,500	-	-
Common shares	8,952	9,611	111,422	106,006
Common shares	-	-	29,993	30,752
Guaranteed Investment				
Certificates				
- redeemable, 1.65% due				
October 21, 2019	-	-	50,000	50,000
- redeemable, 0.25% due				
October 28, 2019	-	-	25,425	25,425
- cashable, 1.60% due December				
17, 2019	-	-	93,750	93,750
- redeemable, 2.14% due August				
7, 2020	300,000	300,000	-	-
- redeemable, 1.65% due August				
9, 2021	100,000	100,000	-	-
- redeemable, 2.10% due August				
9, 2021	100,000	100,000	-	-
- redeemable, 2.20% due August				
9, 2021	100,000	100,000	-	-
- redeemable, 2.21% due				
October 25, 2021	50,825	50,825	-	-
- redeemable, 0.25% due				
October 28, 2020	25,489	25,489	-	-
- cashable, 1.21% due December				
17, 2020	95,250	95,250	-	-
	<u>\$ 789,656</u>	<u>\$ 793,675</u>	<u>\$ 716,445</u>	<u>\$ 708,029</u>

During the year, the Corporation received donations of investments with a value of \$183,475.

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

5. CAPITAL ASSETS

Capital assets consist of the following:

	2020		2019	
	Cost	Accumulated amortization	Net	Net
Land	\$ 291,584	\$ -	\$ 291,584	\$ -
Leasehold improvements	8,623	6,467	2,156	6,467
Furniture and equipment	9,746	7,309	2,437	3,411
Construction in progress	512,892	-	512,892	207,765
	\$ 822,845	\$ 13,776	\$ 809,069	\$ 217,643

During the year, the Corporation received a donation of land located on the south side of Old Highway 2 in Quinte West, Ontario. The fair market of land at the time of the donation was estimated to be \$290,000. The contribution was recorded as a direct increase in net assets. The land will be used to build a 6-bed Hospice Quinte Care Centre.

6. DEFERRED REVENUE

Deferred revenue consists of the following:

	2020	2019
Capital campaign donations	\$ 596,504	\$ 2,020
Unearned fundraising revenues	49,165	-
	\$ 645,669	\$ 2,020

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets consist of:

	2020	2019
Balance, beginning of year	\$ 207,765	\$ 123,127
Contributions received	305,127	207,765
Amortization	-	(123,127)
Balance, end of year	\$ 512,892	\$ 207,765

REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

8. RESTRICTION ON NET ASSETS

During the year, the Corporation transferred \$1,584 from unrestricted net assets to invested in capital assets, and \$137,500 from internally restricted net assets to unrestricted net assets.

The balance of the internally restricted net assets at the end of March 31, 2020 is \$574,712 (2019 - \$712,712), representing \$212,212 for six month operating contingency reserve and \$362,500 (2019 - \$500,000) for capital projects.

9. GOVERNMENT SUBSIDIES

The Corporation entered into a Memorandum of Understanding ("MOU) with Providence Care Centre ("Providence Care"), effective December 22, 2018. The palliative service funding from SE LHIN was transferred to Providence Care, effective January 1, 2019. Under the MOU, Providence Care is responsible for reporting to SE LHIN for the palliative service. However, the Corporation is responsible for administering budget, bookkeeping and preparing payroll for the palliative service and remits financial and statistical information required by the MIS Guideline for the palliative service to Providence Care on a monthly basis. Providence Care is required to transfer SE LHIN funding to the Corporation on a monthly basis.

10. COMMITMENTS

The Corporation has entered into a contract to purchase project management services for the expansion of the Palliative Care Centre. Total professional fees are estimated to be \$84,000 excluding HST.

The Corporation has entered into a contract to purchase professional design consulting services for the expansion of the Palliative Care Centre. Total professional fees are estimated to be \$264,300 excluding HST.

The Corporation has entered into a contract to purchase capital campaign fundraising services for the expansion of the Palliative Care Centre. Total professional fees are estimated to be in the range of \$267,000 to \$306,500 excluding HST.

The Corporation has commitments under an operating lease for its premise. The minimum payments under the lease are as follows:

2020	14,577
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REGIONAL HOSPICE OF QUINTE INC.
(Operating as Hospice Quinte)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

11. UNCERTAINTY DUE TO THE ECONOMIC CONSEQUENCES OF THE CORONAVIRUS DISEASE (COVID-19) OUTBREAK

In mid-March of 2020, subsequent to the Corporation's year end, the province of Ontario declared a state of emergency in response to the public health concerns originating from the spread of the coronavirus disease.

A high degree of uncertainty persists surrounding the full economic impact of the situation. The unpredictable nature of the spread of the disease makes it difficult to determine the length of time that the Corporation's operations will be impacted. Consequently, at the time of issuance of these financial statements, the effect that the abrupt decline in economic activity will have on the Corporation's operations, assets, liabilities, revenues and expenses are not yet known.