

Hospital Family Houses of Ontario

Financial Statements

December 31, 2015



April 4, 2016

Independent Auditor's Report

To the Directors of Hospital Family Houses of Ontario

We have audited the accompanying financial statements of Hospital Family Houses of Ontario, which comprise the statement of financial position as at December 31, 2015, and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Hospital Family Houses of Ontario derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Hospital Family Houses of Ontario. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, accumulated net assets and cash flows.



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Independent Auditor's Report, continued

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Hospital Houses of Ontario as at December 31, 2015 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.

Other Matter

The statement of financial position as at December 31, 2014, and the statement of operations and net assets and cash flows for the year ended December 31, 2014, were audited by another firm of Chartered Accountants.

Pettinelli Mastroluisi LLP

**Chartered Accountants
Licensed Public Accountants**

Hamilton, Ontario

Hospital Family Houses of Ontario

Statement of Financial Position

			December 31	
	General Fund	Capital Fund	Total 2015	Total 2014
Assets				
Current assets				
Cash	\$ 40,403	\$ 71,074	\$ 111,477	\$ 64,398
Short-term investments	119,055	-	119,055	110,890
Accounts receivable	6,705	-	6,705	3,418
GST/HST Public Service Bodies' Rebate receivable	6,397	-	6,397	7,624
Prepaid expenses	19,486	-	19,486	18,950
	<u>192,046</u>	<u>71,074</u>	<u>263,120</u>	<u>205,280</u>
Building and equipment (Note 2)	<u>-</u>	<u>2,276,151</u>	<u>2,276,151</u>	<u>2,363,154</u>
	<u>\$ 192,046</u>	<u>\$ 2,347,225</u>	<u>\$ 2,539,271</u>	<u>\$ 2,568,434</u>
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	\$ 22,173	\$ -	\$ 22,173	\$ 17,978
Accumulated net assets				
Unrestricted	169,873	-	169,873	162,303
Invested in capital assets	<u>-</u>	<u>2,347,225</u>	<u>2,347,225</u>	<u>2,388,153</u>
	<u>\$ 192,046</u>	<u>\$ 2,347,225</u>	<u>\$ 2,539,271</u>	<u>\$ 2,568,434</u>
Commitments (Note 3)				

APPROVED BY THE BOARD:

_____ Director

_____ Director

Hospital Family Houses of Ontario

Statement of Operations and Net Assets

	Year ended December 31, 2015			Year ended December 31, 2014		
	General Fund	Capital Fund	Total	General Fund	Capital Fund	Total
Revenue						
Accommodation rent	\$ 270,430	\$ -	\$ 270,430	\$ 234,180	\$ -	\$ 234,180
Donations	179,574	7,500	187,074	169,788	95,608	265,396
Fundraising	129,745	-	129,745	113,194	-	113,194
Investment income	12,170	-	12,170	8,072	-	8,072
	<u>591,919</u>	<u>7,500</u>	<u>599,419</u>	<u>525,234</u>	<u>95,608</u>	<u>620,842</u>
Expenses						
Wages and benefits	338,760	-	338,760	312,034	-	312,034
Amortization	-	88,967	88,967	-	81,592	81,592
Office and general	44,419	-	44,419	37,270	-	37,270
Utilities	41,956	-	41,956	41,674	-	41,674
Golf tournament	21,121	-	21,121	20,509	-	20,509
Repairs and maintenance	21,116	-	21,116	20,753	-	20,753
Insurance	13,387	-	13,387	12,905	-	12,905
Other fundraising	12,291	-	12,291	8,794	-	8,794
Leasing expenses	10,837	-	10,837	5,008	-	5,008
Interest and bank charges	9,039	-	9,039	9,320	-	9,320
Telephone	8,030	-	8,030	7,277	-	7,277
Professional fees	7,796	-	7,796	6,237	-	6,237
Continuing education	3,710	-	3,710	695	-	695
Security	3,342	-	3,342	4,013	-	4,013
Subcontracting	2,026	-	2,026	1,451	-	1,451
Supplies	1,957	-	1,957	21,814	-	21,814
Fees and dues	1,484	-	1,484	1,436	-	1,436
Travel and meetings	1,414	-	1,414	1,264	-	1,264
Property tax	662	-	662	647	-	647
Loss on sale of equipment	-	461	461	-	-	-
Rent (Note 3)	2	-	2	2	-	2
	<u>543,349</u>	<u>89,428</u>	<u>632,777</u>	<u>513,103</u>	<u>81,592</u>	<u>594,695</u>
Excess (deficiency) of revenue over expenses	48,570	(81,928)	(33,358)	12,131	14,016	26,147
Accumulated net assets at the beginning of the year	162,303	2,388,153	2,550,456	435,929	2,088,380	2,524,309
Interfund transfers	(41,000)	41,000	-	(285,757)	285,757	-
Accumulated net assets at the end of the year	<u>\$ 169,873</u>	<u>\$ 2,347,225</u>	<u>\$ 2,517,098</u>	<u>\$ 162,303</u>	<u>\$ 2,388,153</u>	<u>\$ 2,550,456</u>

Hospital Family Houses of Ontario

Statement of Cash Flows

	Year ended December 31	
	2015	2014
Cash flows from (used in) operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (33,358)	\$ 26,147
Items not involving cash		
Amortization	88,967	81,592
Loss on sale of equipment	461	-
Contributed materials	-	(22,458)
	<u>56,070</u>	<u>85,281</u>
Net change in non-cash working capital balances relating to operations		
Decrease (increase) in accounts receivable	(3,287)	1,012
Decrease in GST/HST Public Service Bodies' Rebate receivable	1,227	19,623
Increase in prepaid expenses	(536)	(5,855)
Increase (decrease) in accounts payable and accrued liabilities	4,195	(151,542)
Decrease in government remittances payable	-	(4,402)
Decrease in deferred revenue	-	(1,000)
	<u>1,599</u>	<u>(142,164)</u>
	<u>57,669</u>	<u>(56,883)</u>
Cash flows from (used in) investing activities		
Purchase of equipment	(4,850)	(371,618)
Proceeds on sale of equipment	2,425	-
Purchase of short-term investments	(8,165)	(474)
Proceeds on disposal of short-term investments	-	280,451
	<u>(10,590)</u>	<u>(91,641)</u>
Net increase (decrease) in cash during the year	47,079	(63,243)
Cash at beginning of the year	64,398	127,641
Cash at end of the year	<u>\$ 111,477</u>	<u>\$ 64,398</u>

Notes to Financial Statements

December 31, 2015

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. The significant policies are detailed as follows:

Cash

Cash consists of balances held with financial institutions, net of outstanding cheques and deposits.

Short-term investments

Short-term investments are recorded at fair market value. Short-term investments include cash held in trust by Hamilton Health Sciences on behalf of the Organization. The funds earn investment income in accordance with Hamilton Health Sciences' overall Canadian investment pool. The Organization retains control and access to the funds.

Building and equipment

Building and equipment are recorded at cost. The Organization provides for amortization using the straight-line method at rates designed to amortize the cost of the building 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 Organization follows the restricted fund method of accounting for contributions. The General Fund accounts for the Organization's program delivery and administrative activities. This fund reports unrestricted resources. The Capital Fund reports the assets, liabilities, revenue and expenses related to the Organization's capital assets.

Notes to Financial Statements

December 31, 2015

1. Significant accounting policies, continued

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year it is received or receivable. Unrestricted contributions are recognized as revenue of the General Fund in the year it is 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.

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.

Investment income is recognized in the General Fund as income when earned.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Financial instruments

Measurement of financial instruments

The Organization initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Organization subsequently measures all its financial assets and financial liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenses in the period incurred.

Financial assets measured at amortized cost include cash, accounts receivable and GST/HST Public Service Bodies' Rebate receivable.

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

Financial assets measured at fair value include short-term investments.

Notes to Financial Statements

December 31, 2015

1. Significant accounting policies, continued

Financial instruments, continued

Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there is an indication of impairment, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess (deficiency) of revenues over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess (deficiency) of revenues over expenses.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income 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 net income over the life of the instrument using the straight-line method.

2. Building and equipment

	Cost	Accumulated Amortization	December 31	
			2015 Net Book Value	2014 Net Book Value
Building	\$ 2,326,783	\$ 239,563	\$ 2,087,220	\$ 2,145,390
Furniture, fixtures and equipment	286,226	107,286	178,940	205,597
Signs	18,408	8,484	9,924	11,765
Computer equipment	<u>1,001</u>	<u>934</u>	<u>67</u>	<u>401</u>
	<u>\$ 2,632,418</u>	<u>\$ 356,267</u>	<u>\$ 2,276,151</u>	<u>\$ 2,363,153</u>

Notes to Financial Statements

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3. Commitments

The Organization leases various equipment under operating leases. Future minimum lease payments are as follows:

2016	\$ 10,646
2017	<u>10,646</u>
	<u>\$ 21,292</u>

The Organization leases land and buildings from Hamilton Health Sciences Corporation 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.

4. Related party transactions

Office and general expenses include \$2,100 (2014 - \$3,773) paid for meals to a company controlled by a director of the Organization. This amount was donated back to the Organization.

5. 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 \$6,705 (2014 - \$3,418). 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.

6. Comparative amounts

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.