

HOSPICE OF GREATER SAINT JOHN, INC.

(Incorporated under the laws of New Brunswick)

FINANCIAL STATEMENTS

MARCH 31, 2018

HOSPICE OF GREATER SAINT JOHN, INC.

MARCH 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Directors of Hospice of Greater Saint John, Inc.

We have audited the accompanying financial statements of Hospice of Greater Saint John, Inc., which comprise the statement of financial position as at March 31, 2018, and the statement of operations, the statement of changes in net assets and statement of 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.

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 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 company'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 company'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hospice of Greater Saint John, Inc. as at March 31, 2018, 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.



CHARTERED PROFESSIONAL ACCOUNTANTS

Saint John, NB
May 30, 2018

HOSPICE OF GREATER SAINT JOHN, INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2018

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 229,619 | \$ 187,665 |
| Internally restricted cash (Note 2) | 72,000 | - |
| Accounts receivable | 22,395 | 32,523 |
| Prepaid expenses | <u>45,736</u> | <u>36,696</u> |
| | 369,750 | 256,884 |
| CAPITAL ASSETS (Note 3) | <u>2,336,267</u> | <u>2,402,225</u> |
| | <u>\$ 2,706,017</u> | <u>\$ 2,659,109</u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 98,347 | \$ 95,056 |
| Deferred revenue | <u>170</u> | <u>2,000</u> |
| | 98,517 | 97,056 |
| DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 4) | <u>1,600,979</u> | <u>1,651,060</u> |
| | <u>1,699,496</u> | <u>1,748,116</u> |
| NET ASSETS | | |
| NET ASSETS INVESTED IN CAPITAL ASSETS | 737,621 | 753,499 |
| UNRESTRICTED NET ASSETS | <u>268,900</u> | <u>157,494</u> |
| | <u>1,006,521</u> | <u>910,993</u> |
| | <u>\$ 2,706,017</u> | <u>\$ 2,659,109</u> |

See accompanying notes to financial statements.

COMMITMENTS (Note 7)

SUBSEQUENT EVENT (Note 9)

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

HOSPICE OF GREATER SAINT JOHN, INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2018

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| REVENUE | | |
| Provincial government funding | \$ 730,000 | \$ 730,000 |
| Fundraising and sponsorships | 969,368 | 899,292 |
| Donations and memorials | 402,102 | 318,685 |
| Donation from Hospice Legacy Foundation Inc. (Note 5) | 45,000 | 22,000 |
| Interest and other | <u>20,704</u> | <u>123</u> |
| | <u>2,167,174</u> | <u>1,970,100</u> |
| EXPENDITURE | | |
| Salaries and benefits | 1,240,811 | 1,232,428 |
| Fundraising and sponsorship | 304,953 | 291,310 |
| Operating supplies and expenses | 82,246 | 86,705 |
| Property and building | 86,023 | 72,825 |
| Staff and volunteer expense | 66,398 | 52,544 |
| Governance and administration | 53,196 | 48,317 |
| Community relations | 6,554 | 4,318 |
| Donation to Hospice Legacy Foundation Inc. (Note 5) | <u>210,000</u> | <u>75,000</u> |
| | <u>2,050,181</u> | <u>1,863,447</u> |
| EXCESS OF REVENUE OVER EXPENDITURE BEFORE AMORTIZATION | 116,993 | 106,653 |
| LOSS ON DISPOSAL OF CAPITAL ASSETS | - | (332) |
| AMORTIZATION OF DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS | 62,081 | 59,706 |
| AMORTIZATION | <u>(83,546)</u> | <u>(78,376)</u> |
| EXCESS OF REVENUE OVER EXPENDITURE | <u>\$ 95,528</u> | <u>\$ 87,651</u> |

See accompanying notes to financial statements.

HOSPICE OF GREATER SAINT JOHN, INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2018

| | <u>Invested in Capital Assets</u> | <u>Unrestricted</u> | <u>Total 2018</u> | <u>Total 2017</u> |
|--|--|----------------------------|------------------------------|------------------------------|
| BALANCE AT BEGINNING OF YEAR | \$ 753,499 | \$ 157,494 | \$ 910,993 | \$ 823,342 |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURE | (22,953) | 118,481 | 95,528 | 87,651 |
| PURCHASE OF CAPITAL ASSETS | 19,075 | (19,075) | - | - |
| CONTRIBUTIONS RELATED TO CAPITAL ASSETS | <u>(12,000)</u> | <u>12,000</u> | <u>-</u> | <u>-</u> |
| BALANCE AT END OF YEAR | <u>\$ 737,621</u> | <u>\$ 268,900</u> | <u>\$ 1,006,521</u> | <u>\$ 910,993</u> |

See accompanying notes to financial statements.

HOSPICE OF GREATER SAINT JOHN, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2018

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| CASH PROVIDED BY (USED IN) | | |
| Operating activities | | |
| Excess of revenue over expenditure | \$ 95,528 | \$ 87,651 |
| Items not involving cash | | |
| Amortization | 85,034 | 79,864 |
| Loss on disposal of capital assets | - | 332 |
| Amortization of deferred contributions related to capital assets | <u>(62,081)</u> | <u>(59,706)</u> |
| | 118,481 | 108,141 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | 10,128 | (17,667) |
| Prepaid expenses | (9,040) | (8,394) |
| Accounts payable and accrued liabilities | 3,290 | (6,631) |
| Deferred revenue | <u>(1,830)</u> | <u>742</u> |
| | <u>121,029</u> | <u>76,191</u> |
| Investing activities | | |
| Purchase of capital assets | (19,075) | (133,970) |
| Proceeds on sale of capital assets | <u>-</u> | <u>2,000</u> |
| | <u>(19,075)</u> | <u>(131,970)</u> |
| Financing activities | | |
| Contributions related to capital assets | <u>12,000</u> | <u>103,463</u> |
| INCREASE IN CASH | 113,954 | 47,684 |
| CASH AT BEGINNING OF YEAR | <u>187,665</u> | <u>139,981</u> |
| CASH AT END OF YEAR | <u>\$ 301,619</u> | <u>\$ 187,665</u> |
| See accompanying notes to financial statements. | | |
| REPRESENTED BY: | | |
| Cash | \$ 229,619 | \$ 187,665 |
| Internally restricted cash | <u>72,000</u> | <u>-</u> |
| | <u>\$ 301,619</u> | <u>\$ 187,665</u> |

HOSPICE OF GREATER SAINT JOHN, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

1. PURPOSE OF THE ORGANIZATION

Hospice of Greater Saint John, Inc., incorporated under the laws of New Brunswick, is a registered charity under the Income Tax Act and is exempt from income taxes. Its purpose is to provide quality end-of-life care to people living with terminal illness and coping with loss. It is administered entirely by professional staff and governed by a duly elected volunteer Board of Directors comprised of business professionals.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Internally Restricted Cash

The Board of Directors have agreed that funds earned from various fundraising activities will be held aside for the Patient Flooring Project to be completed in the 2019 fiscal year.

Revenue Recognition

Hospice of Greater Saint John, Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, including donations and grants, are recognized as revenue when the related pledges or commitments are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other revenue, including special event revenue and Hospice Shoppe sales, are recorded when earned.

Donated Goods and Services

The organization receives the donated services of many volunteers in various functions, including administration, fund raising and palliative support. These donated services are not reflected in the financial statements because of the difficulty of determining their fair value.

Items donated for the Valentine's Gala charity auction are recorded at the value realized during the auction. Donations of services require that payments be exchanged between the donor and the organization, in accordance with Canada Revenue Agency guidelines.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand, bank balances and investments in guaranteed investment certificates having maturities of one year or less from date of purchase.

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 amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditure during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

HOSPICE OF GREATER SAINT JOHN, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Related to Capital Assets

Grants and donations received for the purpose of renovating and maintaining the Dufferin Row property and for the purpose of purchasing furnishings and equipment are being deferred and amortized to revenue on the same basis the related capital assets are being amortized to expense.

Controlled Foundation

The Hospice Legacy Foundation Inc., which is controlled by Hospice of Greater Saint John, Inc., is not consolidated in the organization's financial statements.

Financial Instruments

Measurement of Financial Instruments

The organization initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenue over expenditure.

Financial assets measured at amortized cost include cash and accounts receivable.

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

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in excess of revenue over expenditure. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no 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 of revenue over expenditure.

Transaction Costs

The organization recognizes its transaction costs in excess of revenue over expenditure in the period incurred. However, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

HOSPICE OF GREATER SAINT JOHN, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Equipment purchases in excess of \$5,000 (2017 - \$1,000) are capitalized. Capital assets are recorded at their acquisition cost less accumulated amortization. Contributed capital assets are recorded at their fair value at the date of contribution where the fair value can be reasonably determined.

Capital assets are amortized on the basis of their useful life using the following methods and rates:

| | | |
|---------------------------|-----|---------------------|
| Buildings | 2% | diminishing balance |
| Parking areas | 8% | diminishing balance |
| Furnishings and equipment | 20% | diminishing balance |
| Hospice Shoppe leaseholds | 10% | straight line |
| Vehicle | 30% | diminishing balance |

3. CAPITAL ASSETS

| | 2018 | | 2017 | |
|---------------------------|----------------------------|--|----------------------------|----------------------------|
| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>Net</u> | <u>Net</u> |
| Land and improvements | \$ 112,440 | \$ - | \$ 112,440 | \$ 112,440 |
| Building | 2,396,849 | 348,019 | 2,048,830 | 2,090,643 |
| Parking areas | 23,963 | 11,237 | 12,726 | 13,832 |
| Furnishings and equipment | | | | |
| Residential hospice | 390,122 | 251,657 | 138,465 | 151,622 |
| Office and other | 36,431 | 32,728 | 3,703 | 4,628 |
| Hospice Shoppe | 6,182 | 5,118 | 1,064 | 1,330 |
| Hospice Shoppe leaseholds | 14,877 | 12,646 | 2,231 | 3,719 |
| Vehicle | <u>28,249</u> | <u>11,441</u> | <u>16,808</u> | <u>24,011</u> |
| | <u>\$ 3,009,113</u> | <u>\$ 672,846</u> | <u>\$ 2,336,267</u> | <u>\$ 2,402,225</u> |

4. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

| | 2018 | 2017 |
|----------------------------------|----------------------------|----------------------------|
| Balance at beginning of year | \$ 1,651,060 | \$ 1,607,303 |
| Donations received or receivable | 12,000 | 103,463 |
| Recognized as revenue | <u>(62,081)</u> | <u>(59,706)</u> |
| Balance at end of year | <u>\$ 1,600,979</u> | <u>\$ 1,651,060</u> |

HOSPICE OF GREATER SAINT JOHN, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

5. RELATED PARTY TRANSACTIONS

Hospice of Greater Saint John, Inc. and Hospice Legacy Foundation Inc. (Foundation) are related parties under common control since they have the same board of directors. All transactions are made in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The accounts payable balance at year end was \$Nil (2017 - \$Nil).

Hospice of Greater Saint John, Inc. receives donations from the Foundation. The organization also donates bequests and other donations to the Foundation:

| | <u>2018</u> | <u>2017</u> |
|--------------------|-------------------|------------------|
| Donations received | \$ <u>45,000</u> | \$ <u>22,000</u> |
| Donations paid | \$ <u>210,000</u> | \$ <u>75,000</u> |

6. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposure and concentrations at the balance sheet date March 31, 2018:

Liquidity risk

Liquidity risk is the risk that an organization will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its obligations under operating lease agreements and accounts payable and accrued liabilities.

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's main credit risks relate to its accounts and pledges receivable. The organization assesses the collectability of its accounts receivable on a continuous basis.

7. COMMITMENTS

The organization is committed to lease payments of \$23,615 plus HST per year ending August 31, 2018 under the terms of a lease for the premises for the Hospice Shoppe boutique.

The company leases office equipment that has been accounted for as operating leases. The future minimum lease payments over the next five years are as follows:

| | | |
|------|----|-------|
| 2019 | \$ | 1,516 |
| 2020 | | 1,428 |
| 2021 | | 1,428 |
| 2022 | | 1,428 |
| 2023 | | 1,428 |

HOSPICE OF GREATER SAINT JOHN, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

8. CONTROLLED FOUNDATION

HOSPICE LEGACY FOUNDATION INC.

Hospice Legacy Foundation Inc. is controlled by Hospice of Greater Saint John, Inc. as the organization appoints the majority of the Foundation's board of directors.

The Foundation was incorporated under the laws of New Brunswick on June 13, 2012 and is a public foundation under the Income Tax Act. Its purpose is to receive and maintain a fund or funds for the benefit of Hospice of Greater Saint John, Inc.

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| The summary financial statements of the Foundation are as follows: | | |
| Statement of financial position | | |
| Assets | \$ 1,428,806 | \$ 1,092,214 |
| Liabilities | <u>2,272</u> | <u>2,572</u> |
| Unrestricted net assets | <u>\$ 1,426,534</u> | <u>\$ 1,089,642</u> |
| Statement of operations | | |
| Revenue | \$ 394,572 | \$ 228,352 |
| Expenditure | <u>53,182</u> | <u>37,724</u> |
| Excess of revenue over expenditure | <u>\$ 341,390</u> | <u>\$ 190,628</u> |
| Statement of cash flows | | |
| Operating activities | \$ 376,983 | \$ 155,668 |
| Investing activities | <u>(311,000)</u> | <u>(151,705)</u> |
| Increase in cash | <u>\$ 65,983</u> | <u>\$ 3,963</u> |

9. SUBSEQUENT EVENT

The agreement pursuant to which the Province of New Brunswick provides annual funding in the amount of \$766,500 (2017 - \$730,000) for the operation of the residential hospice has been renewed for the next two fiscal year ending March 31, 2020.

10. SIGNIFICANT POLICIES

Hospice of Greater Saint John, Inc. is committed to excellence, transparency and best practices in all areas of charitable governance and operations. Using standards of excellence established by the Donner Canadian Foundation, Imagine Canada and others, Hospice follows these best practices:

- J A strategic plan which is used to develop operational plans and goals with regular monitoring of results at monthly Board meetings.
- J Annual budget and staff salaries approved by the Board of Directors.
- J Monthly financial statements reviewed by the Board of Directors.

HOSPICE OF GREATER SAINT JOHN, INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

10. SIGNIFICANT POLICIES (continued)

-) Annual independent audit by a Chartered Professional Accountant approved by the Board of Directors and made public on the Hospice Website and reported in the Annual Report.
-) Quarterly financial and accountability reports are submitted to the Department of Health and the Board of Directors.
-) A Quality Care Committee to oversee all patient and family related clinical practices, ethics and continuous quality improvement (CQI) at Bobby's Hospice for the purpose of maintaining the highest standards for clinical care.
-) An annual Quality Care Plan and Operational Plan with key performance indicators that are evaluated regularly and formally reported on annually.
-) A succession plan for the CEO, senior staff and Board Chair.
-) Comprehensive insurance coverage.
-) Regular review of organizational By-Laws and Governance Policies.
-) Comprehensive operational and human resource policies and procedures that are updated regularly.
-) Formal staff and volunteer job descriptions, training, orientation and performance reviews.
-) Conflict of interest policies and a Code of Conduct for Board, staff and volunteers.
-) Annual filing of Canada Revenue Agency (CRA) Charity Return within six months of year-end.
-) Annual filing of New Brunswick Non-Profit Return
-) Privacy protection policies and practices.
-) Monthly Donor Reports posted on the Hospice Website and available for pick up at Bobby's Hospice and The Hospice Shoppe.
-) Annual Report and Audited Statements posted on the Hospice Website and available for pick up at Bobby's Hospice and The Hospice Shoppe.
-) Annual General Meeting is a report to the community.