

Hospice of Greater Saint John, Inc.

FINANCIAL STATEMENTS

March 31, 2011

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CHRISTOPHER D. COOK
Chartered Accountant

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of Hospice of Greater Saint John, Inc. which comprise the statement of financial position as at March 31, 2011 and the statement of operations, 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 Generally Accepted Accounting Principles, 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

My responsibility is to express an opinion on these financial statements based on my audit. I have conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error.

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 judgement, 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 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 purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Hospice of Greater Saint John, Inc. derives revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of this revenue was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to pledges and collections revenue, net revenue, assets and fund balances.

Qualified Opinion

In my 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 Hospice of Greater Saint John, Inc. as at March 31, 2011 and financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saint John, N.B.
June 24, 2011



Chartered Accountant

Hospice of Greater Saint John, Inc.
(Incorporated under the laws of New Brunswick)

Financial Position

As At March 31

2011

2010

Assets

Current

Cash	\$47,360	\$301,215
Accounts and pledges receivable	48,440	442,380
Prepaid expenses	23,514	15,626
	<u>119,314</u>	<u>759,221</u>

Property, furnishings and equipment (Note 4)

	<u>2,484,755</u>	<u>1,925,561</u>
	<u>\$2,604,069</u>	<u>\$2,684,782</u>

Liabilities and Net Assets

Current liabilities

Accounts payable and accrued liabilities	\$35,925	\$84,130
Deferred program revenue	225	2,250
Private loan	-	500,000
	<u>36,150</u>	<u>586,380</u>

Capital Campaign grants and donations (Note 5)

	<u>1,725,336</u>	<u>1,654,789</u>
	<u>1,761,486</u>	<u>2,241,169</u>

Net assets

Invested in property, furnishings and equipment	759,419	(229,228)
Unrestricted net assets	83,164	672,841
Total net assets	<u>842,583</u>	<u>443,613</u>
	<u>\$2,604,069</u>	<u>\$2,684,782</u>

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

Approved on behalf of the Board:

Director

Director

Hospice of Greater Saint John, Inc.

Operations

For The Year Ended March 31

	2011	2010
Revenues		
Provincial government funding	\$547,500	\$25,000
Hospice Shoppe sales	555,934	253,962
Donations and memorials	301,106	43,405
Fund raising and sponsorships	171,761	177,960
Grants	72,543	52,565
Capital campaign grants and donations recognized as revenue	52,990	-
Interest and other	1,189	1,982
	<u>1,703,023</u>	<u>554,874</u>
Expenses		
Salaries and benefits	662,229	164,796
Hospice Shoppe (Note 6)	357,590	152,883
Amortization	57,212	7,598
Governance and administration	54,297	24,706
Occupancy	48,717	24,389
Operating supplies and expenses	46,393	2,212
Fund raising and sponsorships	45,947	48,832
Other program costs	23,775	10,170
Communications	7,893	3,598
	<u>1,304,053</u>	<u>439,184</u>
Excess of revenues for the year	<u><u>\$398,970</u></u>	<u><u>\$115,690</u></u>

Hospice of Greater Saint John, Inc.

Cash Flows

For The Year Ended March 31

2011

2010

Sources and (uses) of cash

Operating activities

Excess of revenues (expenses) for the year

\$398,970

\$115,690

Non-cash items

Amortization of capital assets

59,536

8,746

Cash generated from (invested in):

Accounts and pledges receivable

393,940

(210,133)

Prepaid expenses

(7,888)

(9,317)

Accounts payable and accruals

(48,205)

51,573

Deferred program revenue

(2,025)

(23,000)

794,328

(66,441)

Investing activities

Purchase of property, furnishings and equipment

(618,730)

(1,321,160)

Financing activities

Private loan

(500,000)

500,000

Capital Campaign grants and donations

70,547

541,309

(429,453)

1,041,309

Change in cash position

(253,855)

(346,292)

Cash position, beginning of the year

301,215

647,507

Cash position, end of the year**\$47,360**

\$301,215

Hospice of Greater Saint John, Inc.

Notes to the Financial Statements

For The Year Ended March 31, 2011

1. Purpose

The organization was incorporated under the laws of New Brunswick in 1983 to provide quality end-of-life care to people living with terminal illness and coping with loss. It is a tax-exempt registered Canadian charity administered entirely by professional staff and governed by a duly-elected volunteer Board of Directors.

The organization is a member agency of the United Way of Greater Saint John Inc. and as such is subject to the terms of the current agency agreement, signed December 12, 2010.

On November 1, 2010 the organization opened its doors to patients and became the first residential hospice in Atlantic Canada. It offers ten full-time palliative care beds and provide the associated medical and nursing care. The Board has confirmed a funding partnership with the Province of New Brunswick

The organization has entered into a funding agreement with the Province of New Brunswick under the terms of which the Province will provide annual funding of \$730,000 for operations.

2. Significant accounting policies

Donated services

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

Revenue recognition

Donations and grants are recorded when the related pledges or commitments are received and the collection thereof is reasonably assured. Other revenues and expenses, including special event revenues and Hospice Shoppe sales, are recorded when earned.

Property, furnishings and equipment

Equipment purchases in excess of \$200 are capitalized. Capital assets are recorded at their acquisition cost. Amortization is provided, over the estimated service lives of the related assets on a declining balance basis at the rate of 2% for buildings, 8% for parking areas, 20% for furniture and 50% for computer equipment. Leasehold improvements are amortized on a straight-line basis over ten years. Amortization is taken at one-half of those rates in the year of purchase. Assets under construction are not amortized until completed and placed into service.

Grants and donations used to fund the renovations of the Dufferin Row property required to to convert it into a residential hospice are being recognized as revenue on the same basis that the related assets are being amortized to expense.

Hospice of Greater Saint John, Inc.

Notes to the Financial Statements

For The Year Ended March 31, 2011

2. Significant accounting policies (continued)

Management estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principals 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 revenues and expenses during the reporting period. Actual results could differ significantly from those estimates.

Donated goods and services

Donations of goods by individuals to the Hospice Shoppe are recorded at the value realized upon eventual sale. Donations by clothing stores are recognized at the wholesale cost of the donated items. 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.

Donated capital assets are recorded at either their estimated fair value at the date of contribution or at a nominal value, where fair value could not be reasonably estimated.

Financial instruments

Financial instruments of the company consist of cash, accounts receivable and accounts payable. Cash is measured at fair value and the other financial instruments are measured at amortized cost, which approximates fair value.

The organization believes it has a minimal credit risk due to the nature of its accounts receivable.

There is minor exposure to the risk that variations in interest rates earned on cash balances could have an impact on cash flows.

3. Significant governance policies

Hospice of Greater Saint John, Inc. has spent considerable time and effort to increase transparency and accountability and meet the "Standards of Excellence for Non-Profit Management" guidelines established by the Donner Canadian Foundation. The following best practices have been implemented:

- Annual due diligence report with 28 quality indicators;
- Monthly financial statements to the Board of Directors;
- Monthly Board minutes posted on the Hospice website;
- Quarterly financial statements and annual audited financial statements posted on the website;
- Revised Board and staff Code of Conduct and commitment pledge with 14 indicators, including a detailed conflict of interest statement/directive and Respectful Workplace policy;

Hospice of Greater Saint John, Inc.

Notes to the Financial Statements

For The Year Ended March 31, 2011

4. Property, furnishings and equipment

	Cost	Accumulated Depreciation	Net book value	
			2011	2010
Land and improvements	\$112,440	-	\$112,440	\$105,026
Parking areas	23,962	1,150	22,812	-
Building	1,788,626	47,736	1,740,890	142,643
Building renovations under construction	472,969	-	472,969	1,638,601
Hospice Shoppe leasehold improvements	14,877	2,232	12,645	14,133
Furnishings and equipment				
Residential hospice	137,247	24,383	112,864	13,615
Office and other	29,557	23,308	6,249	7,905
Hospice Shoppe	5,126	1,240	3,886	3,638
	<u>\$2,584,804</u>	<u>\$100,049</u>	<u>\$2,484,755</u>	<u>\$1,925,561</u>

The cost of furnishings and equipment includes contributed assets recorded at their estimated fair value of \$30,101 (2010 - \$2,650).

5. Capital Campaign grants and donations

	2011	2010
Beginning of the year	\$1,654,789	\$1,113,480
Donations received or receivable	123,537	221,309
Government grants received or receivable	-	320,000
Recognized as revenue	(52,990)	-
End of the year	<u>\$1,725,336</u>	<u>\$1,654,789</u>

Grants and donations used to fund the renovations of the Dufferin Row property required to to convert it into a residential hospice are being recognized as revenue on the same basis that the related assets are being amortized to expense.

6. Hospice Shoppe expenses

	2011	2010
Value of items donated for resale	\$236,736	\$67,833
Rent and insurance	53,267	31,301
Wages and benefits	51,334	30,178
Other	13,929	22,423
Amortization	2,324	1,148
	<u>\$357,590</u>	<u>\$152,883</u>

7. Contingencies and commitments

The organization is committed to lease payments of \$49,500 plus HST per year for three years ending August 31, 2012 under the terms of a lease for premises for the Hospice Shoppe boutique.

Hospice of Greater Saint John, Inc.

Notes to the Financial Statements

For The Year Ended March 31, 2011

8. Subsequent events

The agreement pursuant to which the Province of New Brunswick provides annual funding in the amount of \$730,000 for the operation of the residential hospice has been renewed for the fiscal year ending March 31, 2012.

9. Comparative figures

Certain figures for the preceding year, presented for comparative purposes, have been reclassified to conform to the financial statement presentation adopted for the current year.