

HOSPICE ASSOCIATION OF ONTARIO

Report And Financial Statements

March 31, 2013

HOSPICE ASSOCIATION OF ONTARIO

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MARCH 31, 2013

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Independent Auditors' Report

To the Members of
HOSPICE ASSOCIATION OF ONTARIO

Report on the Financial Statements

We have audited the accompanying financial statements of **Hospice Association of Ontario**, which comprise the statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended March 31, 2013 and March 31, 2012 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 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the association derives revenue from donations and various fundraising events, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the association and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenue over expenses, assets and net assets.

Opinion

In our opinion, except for the 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 Association of Ontario** as at March 31, 2013, March 31, 2012 and April 1, 2011 and its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Wally Chong LLP

**WALLINGTON CHONG LLP
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

Markham, Ontario
June 27, 2013

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HOSPICE ASSOCIATION OF ONTARIO

Statement of Operations

FOR THE YEAR ENDED MARCH 31,

	HAO Member Services	Palliative Education and Information Services (note 7)	Total 2013	Total 2012
EXPENSES				
Salaries and benefits	\$ 93,811	\$ 143,949	\$ 237,760	\$ 231,095
Nevada ticket costs	48,554	-	48,554	52,944
Nevada profit sharing	12,341	-	12,341	33,167
Office and general	54,875	11,104	65,979	80,409
Professional fees and consultants	81,367	91,424	172,791	107,680
Insurance	799	1,598	2,397	2,265
Rent and operating costs	26,300	19,878	46,178	45,886
Travel, meetings and conference	141,513	36	141,549	147,256
	459,560	267,989	727,549	700,702
FUNDED BY				
Foundations	20,823	-	20,823	3,491
Corporations	4,000	-	4,000	825
Donations	16,492	-	16,492	13,127
Nevada ticket sales	112,981	-	112,981	101,537
Conference and education	260,941	-	260,941	292,956
Government of Ontario (note 7)	-	267,975	267,975	267,975
Membership	42,943	-	42,943	55,395
Merchandise and publication sales	2,690	-	2,690	2,435
Interest and sundry income	90	-	90	-
	460,960	267,975	728,935	737,741
FUNDED BY OPERATIONS	(14)	14	-	-
	460,946	267,989	728,935	737,741
EXCESS OF REVENUE OVER EXPENSES	\$ 1,386	\$ -	\$ 1,386	\$ 37,039

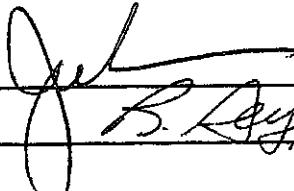
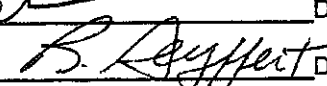
(The accompanying notes form an integral part of these financial statements)

HOSPICE ASSOCIATION OF ONTARIO

Statement of Financial Position

AS AT MARCH 31,	March 31, 2013	March 31, 2012	April 1, 2011
ASSETS			
CURRENT			
Cash and short term investments	\$ 180,441	\$ 236,192	\$ 215,356
Accounts receivable	24,293	14,868	21,238
Prepaid expenses and deposits (note 8)	<u>54,305</u>	<u>52,611</u>	<u>77,541</u>
	<u>259,039</u>	<u>303,671</u>	<u>314,135</u>
CAPITAL (note 6)	<u>8,499</u>	<u>-</u>	<u>-</u>
	<u>\$ 267,538</u>	<u>\$ 303,671</u>	<u>\$ 314,135</u>
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	\$ 53,384	\$ 58,779	\$ 26,878
Deferred revenue (note 9)	<u>126,066</u>	<u>158,190</u>	<u>237,594</u>
	<u>179,450</u>	<u>216,969</u>	<u>264,472</u>
NET ASSETS			
Unrestricted	<u>88,088</u>	<u>86,702</u>	<u>49,663</u>
	<u>\$ 267,538</u>	<u>\$ 303,671</u>	<u>\$ 314,135</u>

APPROVED ON BEHALF OF THE BOARD

 Director
 Director

(The accompanying notes form an integral part of these financial statements)

HOSPICE ASSOCIATION OF ONTARIO

Statement of Changes in Net Assets

FOR THE YEAR ENDED MARCH 31,	2013	2012	
	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
BALANCE , beginning of year	\$ 86,702	\$ 86,702	\$ 49,663
Excess of revenue over expenses for the year	1,386	1,386	37,039
BALANCE , end of year	<u>\$ 88,088</u>	<u>\$ 88,088</u>	<u>\$ 86,702</u>

(The accompanying notes form an integral part of these financial statements)

HOSPICE ASSOCIATION OF ONTARIO

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31,	2013	2012
FUNDS PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 1,386	\$ 37,039
Items not requiring current cash:		
Amortization	_____ -	_____ -
	1,386	37,039
Net change in non-cash working capital (Increase) decrease in:		
Accounts receivable	(9,425)	6,370
Prepaid expenses and deposits	(1,694)	24,930
Increase (decrease) in:		
Accounts payable and accrued liabilities	(5,395)	31,901
Deferred revenue	<u>(32,124)</u>	<u>(79,404)</u>
CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(47,252)</u>	<u>20,836</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(8,499)</u>	_____ -
CASH (USED IN) INVESTING ACTIVITIES	<u>(8,499)</u>	_____ -
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR	(55,751)	20,836
CASH, beginning of year	<u>236,192</u>	<u>215,356</u>
CASH AND CASH EQUIVALENTS, end of year	\$ 180,441	\$ 236,192
CASH AND CASH EQUIVALENTS REPRESENTED BY:		
Cash	\$ 130,441	\$ 236,192
Short term investments	<u>50,000</u>	_____ -
	\$ 180,441	\$ 236,192

(The accompanying notes form an integral part of these financial statements)

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

1. PURPOSE AND GOVERNING STATUTES

The objectives of the Hospice Association of Ontario (“HAO”) are to provide a network of expertise, information and communications to support and assist members in their efforts to provide the maximum possible hospice palliative care support in the communities they serve.

HAO is incorporated under the Canada Corporations Act as a not-for-profit corporation and is a registered charity under the Income Tax Act. HAO is able to issue charitable donation receipts for income tax purposes.

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements were prepared in accordance with Part III of the CICA Handbook - Accounting (“Part III”).

HAO’s first reporting period using Part III is for the year ended March 31, 2013. As a result, the date of transition to Part III is April 1, 2011. HAO presented financial statements under its previous Canadian generally accepted accounting principles annually to March 31st of each year up to, and including March 31, 2012.

As these financial statements are the first financial statements for which HAO has applied Part III, the financial statements have been prepared in accordance with the provisions set out in Section 1501 of Part III, First-time Adoption by Not-For-Profit Organizations.

HAO is required to apply Part III effective for periods ending on March 31, 2013 in:

- a) preparing and presenting its opening statement of financial position at April 1, 2011; and
- b) preparing and presenting its statement of financial position for March 31, 2013 (including comparative amounts for 2012), statement of operations, statement of changes in net assets, and statement of cash flows for the year ended March 31, 2013 (including comparative amounts for 2012) and disclosures (including comparative information for 2012).

HAO’s financial statements presented required no retrospective adjustments as a result of the change in accounting standards adopted in the current year.

3. SIGNIFICANT ACCOUNTING POLICIES

a) BASIS OF PRESENTATION

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

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Net assets

Net assets are comprised as follows:

- i) **Unrestricted (deficiency)** comprises the remaining excess (deficiency) of revenues over expenses from operations.

The financial statements do not include the value of materials and services donated or the value of any pledges made to HAO during the period.

b) **REVENUE RECOGNITION**

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

Special project and function revenues are recognized in the period the event occurs.

Membership revenue is recognized when received.

c) **FINANCIAL INSTRUMENTS**

HAO initially measures its financial assets and financial liabilities at fair value. Except for investments held that are quoted in an active market, which is measured at fair value, HAO measures its financial assets and liabilities at amortized cost. Any gains or losses are recognized in the statement of operations in the period in which the gain or loss occurs. Changes in fair value are recognized in the statement of operations in the period incurred.

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that HAO would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair value of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their nature and capacity for prompt liquidation.

Impairment

At the end of the reporting period, HAO assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Where there is an indication of impairment, the carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the reduction is recognized as an impairment loss in the statement of operations.

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Transaction costs

Transactions costs are recognized in the statement of operations in the period incurred, except for financial instruments that will be subsequently measured at amortized cost. Transactions costs associated with the acquisition and disposal of investments are capitalized and are included in the acquisition costs or reduce proceeds on disposal. Investment management fees are expensed as incurred.

d) **CAPITAL ASSETS**

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Capital assets are amortized at rates and basis as follows:

Furniture and fixtures	- 5 years, straight-line basis
Office equipment	- 5 years, straight-line basis
Computer hardware and software	- 3 years, straight-line basis

No amortization is charged in the year of acquisition.

e) **INVESTMENTS**

Investments, if any, are acquired primarily for their income producing potential, are classified as held for trading and initially are recorded at their acquisition cost. Investments are subsequently adjusted to fair value at the balance sheet date, and the corresponding unrealized gains and losses are reflected in the statements of operations.

f) **EXPENSES**

Expenses are recorded on the accrual basis of accounting, whereby they are reflected in the accounts in the period incurred, whether or not such transactions have been settled by payment of money in the period.

g) **ALLOCATION OF MANAGEMENT AND ADMINISTRATIVE EXPENSES**

Management and administrative expenditures are incurred to operate HAO in a cost-effective manner while maximizing all opportunities to further HAO's mission. HAO allocates certain of its management and administrative costs by identifying the appropriate basis of allocation. The allocation basis may be amended annually to reflect HAO's priorities and implemented programs and may affect the comparability of financial information.

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

3. SIGNIFICANT ACCOUNTING POLICIES - continued

h) MEASUREMENT UNCERTAINTY

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 reported amounts of revenues and expenses during the period. Actual results could differ from these estimates as additional information becomes available in the future.

i) DONATED SERVICES AND MATERIALS

These financial statements do not reflect the value received from volunteer services or materials donated.

4. FINANCIAL INSTRUMENTS

HAO is exposed to various risks through its financial instruments. The following analysis provides a measure of HAO's risk exposure and concentrations as at March 31, 2013, March 31, 2012 and April 1, 2011.

HAO manages its exposure to the risks associated with financial instruments that have the potential to affect its operating and financial performance by prescribing to an investment asset mix policy requiring investment in low risk investments, portfolio diversification and limits exposure to individual investments and major asset classes. The objective of this policy is to reduce volatility in cash flow and earnings. HAO's Board monitors compliance, reviews its policies and procedures annually.

a) Credit risk:

Credit risk is the risk of loss resulting from the possibility that parties may default on their financial obligations or otherwise fail to perform under the terms of the contract. Credit risk encompasses both the direct risk of default and the risk of deterioration of creditworthiness and the respective concentration risk.

HAO's cash, cash equivalents and investments, if any, are maintained at major financial institutions and comprise of high quality investments, interest bearing instruments and/or accounts. Therefore, HAO considers the risk of non-performance of these investments and/or accounts to be remote.

Credit risk is mitigated by establishing limits on exposure to individual counter-parties and by adhering to HAO's low risk investment criteria of its investment policy.

As at March 31, 2013, there are no assets that are past their maturity or impaired due to credit risk related defaults.

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

4. FINANCIAL INSTRUMENTS - continued

b) Interest rate risk:

Interest rate risk is the risk that the fair value of HAO's financial instruments will fluctuate due to changes in the market interest rates. It arises from the potential variations in the timing and amount of cash flow related to the HAO's assets and liabilities. The value of investments held are affected by short term changes in nominal rates and equity markets.

To properly manage its interest rate risk, HAO invests only in low risk investments or investment savings accounts within its portfolio.

c) Currency risk:

Currency risk is the risk that the value of HAO's financial instruments will fluctuate due to changes in foreign exchange rates. These risks would relate primarily to fluctuations between the U.S. dollar and the Canadian dollar, subjecting the Association to gains and losses due to fluctuations in the respective foreign currencies.

HAO does not speculate in foreign currencies. As at March 31, 2013, HAO was not in possession of any foreign investments that would arise in an overall currency exposure to a particular foreign currency.

d) Market risk:

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all instruments traded in the market.

HAO invests in low risk, diversified portfolio of investments or high quality interest bearing investments, based on criteria established by its investment policy.

As at March 31, 2013 HAO held no investments that were subject to market risk.

e) Liquidity risk:

Liquidity risk is the risk that HAO will not be able to meet a demand for cash or fund its obligations as they become due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

HAO manages its liquidity risk by monitoring cash flows and holding assets readily converted into cash. HAO also has credit facilities available to draw upon should it be required to meet temporary fluctuations in cash requirements (note 5).

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

4. FINANCIAL INSTRUMENTS - continued

f) Cash flow risk:

HAO is exposed to cash flow risk resulting from the possibility that future cash flows associated with a monetary financial instrument will fluctuate in amount. The exposure of HAO to cash flow risk arises from certain of its interest bearing instruments. HAO's cash balance includes amounts on deposit with financial institutions that earn interest at market rates. HAO manages its exposure to the cash flow risk of its cash by maintaining minimum liquidity necessary to conduct operations on a day-to-day basis and by maintaining cash balances in interest bearing accounts. Fluctuations in market rates of interest on cash balances do not have a significant impact on HAO's results of operations.

g) Changes in risk:

There have been no changes in HAO's risk exposures from the prior year.

5. CREDIT FACILITIES

HAO has available an unsecured bank line of credit for \$40,000 which carries interest at prime + 2.4% per annum and is repayable on demand. No advances on the credit facility were outstanding as at March 31, 2013 (2012 - \$Nil).

6. CAPITAL ASSETS

	2013		2012
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 32,564	\$ 24,065	\$ 8,499
Office equipment	613	613	-
	<u>\$ 33,177</u>	<u>\$ 24,678</u>	<u>\$ 8,499</u>

7. PALLIATIVE EDUCATION AND INFORMATION SERVICES

End of Life Information Services

The Hospice Association of Ontario is funded by the Government of Ontario, Ministry of Health and Long Term Care ("MOHLTC"), to provide information about and referral to a wide range of hospice palliative care services and resources. These services and resources include hospices, palliative care programs and units, community-based services, pain and symptom management, bereavement support services and palliative care education. The scope of the program is Ontario wide.

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

7. PALLIATIVE EDUCATION AND INFORMATION SERVICES - continued

During fiscal 2013, MOHLTC provided aggregate funding to the End of Life Information Services ("EOL") in the amount of \$115,229 (2012 - \$114,320).

Palliative Care Education

This Local Health Integration Network ("LHIN") funded service includes introductory, advanced and enhanced palliative care education to front line health care staff working in the community support sector. The scope of the program is the City of Toronto.

During fiscal 2013, MOHLTC provided aggregate funding towards Palliative Care Education ("PCE") in the amount of \$152,746 (2012 - \$153,655).

In aggregate the MOHLTC provided total government funding in the amount of \$267,975 to service the EOL and PCE programs. Program expenses for the fiscal year exceeded provincial grant funding in the amount of \$14 (2012 - \$4,728). The deficiency is funded internally by HAO's unrestricted net assets.

Contractual arrangements with the Ministry relative to each service program stipulate that contract year funding grant surplus are recoverable by the Ministry through direct payment or reduction in future annual funding grant contracts and transfer payments.

8. PREPAID EXPENSES AND DEPOSITS

As at March 31, 2013, HAO incurred prepaid conference and facility costs in the aggregate of \$39,672 (2012 - \$42,419). The conference is scheduled to commence subsequent to the fiscal year end and will be expensed in fiscal 2014.

9. DEFERRED REVENUE

Deferred revenue represents funding received that relates to periods subsequent to March 31, 2013. Amounts yet to be recognized as revenue, pending the incurrence and recognition of the related expenses, to be disbursed after March 31, 2013, are set out in the following table:

	Balance April 1, 2012	Receivable or Received in Year	Recognized as Revenue	Balance March 31, 2013
HPCO conference revenue	\$ 158,190	\$ 126,066	\$ 158,190	\$ 126,066

HOSPICE ASSOCIATION OF ONTARIO

Notes To The Financial Statements

FOR THE YEAR ENDED MARCH 31, 2013

10. COMMITMENTS

Lease commitments

HAO is obligated under various operating leases for its office premises requiring minimum annual lease payments as follows:

	<u>Total</u>
2014	\$ 14,815
2015	15,471
2016	16,400
2017	<u>6,833</u>
	<u>\$ 53,519</u>

In addition to these minimum annual lease payments for premises, HAO is committed to pay realty taxes and operating costs associated with its rental office facilities over the term of the lease.

11. ECONOMIC DEPENDENCE

The End of Life Information Services and Palliative Care Education Service programs primary source of funding is provided by the Government of Ontario, Ministry of Health and Long Term Care. HAO's ability to continue viable operations of these service programs is dependent on this Ministerial funding.

12. BUSINESS ALMAGAMATION AND PROPOSED NAME CHANGE

During fiscal 2011, the Hospice Association of Ontario and the Ontario Palliative Care Association ("OPCA") entered into discussions concerning the proposed integration of the organizations to form one provincial palliative care association, under the name of Hospice Palliative Care Ontario ("HPCO"). In April 2011, the members of OPCA voted to join the membership of HAO and to wind up the operations of OPCA and transfer its assets to HAO. HAO, by special resolutions, voted to endorse the joining of OPCA and HAO by accepting the existing member of OPCA into HAO and to change the name of the organization to Hospice Palliative Care Ontario. The OPCA corporation wound up in 2012 and transferred its assets to HAO in August 2012.

The proposed name change and changes to corporate objects and by-laws requires the approval of Industry Canada and Canada Revenue Agency. The Board anticipate these changes to occur in fiscal 2014.

13. COMPARATIVE FIGURES

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current fiscal year.