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CHATHAM-KENT HOSPICE FOUNDATION

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Chatham-Kent Hospice Foundation

Qualified Opinion
We have audited the financial statements of Chatham-Kent Hospice Foundation, 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.

Except as noted in the following paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2020, 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.

Basis for Qualified Opinion
In common with many charitable organizations, Chatham-Kent Hospice Foundation derives part of its income from the general public in the form of donation and fundraising activities, which by their nature are not susceptible to complete audit verification. Accordingly, our verification of revenue from these sources was limited to an examination of the amounts recorded in the records of the organization. We were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, assets or net assets.

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 organization 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 opinion.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the organization'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.

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

INDEPENDENT AUDITOR'S REPORT

- 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.

Baker Tilly CK, LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Chatham, Ontario
July 30, 2020

CHATHAM-KENT HOSPICE FOUNDATION

FINANCIAL STATEMENTS

MARCH 31, 2020

CHATHAM-KENT HOSPICE FOUNDATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2020

	2020	2019
REVENUES		
Donations	$ 406,865	$ 488,752
Distribution from Chatham Kent Hospice Inc. (note 9)	340,358	338,188
Fundraising	670,697	613,337
Grant income	29,318	18,400
Interest and investment income	64,787	42,890
Special events	283,616	172,837
Other income	4,585	3,922
	1,800,226	1,678,326
EXPENDITURES		
Advertising and promotion	71,610	42,400
Annual campaigns	364	7,380
Bank charges and interest	7,139	4,853
Donations to Chatham Kent Hospice Inc. (note 9)	880,421	885,083
Donor recognition	2,365	3,408
Donor relations	6,043	1,505
Insurance	2,063	2,003
Office supplies	21,444	25,248
Professional fees	27,977	24,610
Information technology	5,753	-
Salaries and wages	187,057	186,949
Special events	47,666	42,689
Staff professional development	9,707	4,345
Strategic planning and board development	-	2,818
	1,269,609	1,233,291
EXCESS OF REVENUES OVER EXPENDITURES	$ 530,617	$ 445,035

CHATHAM-KENT HOSPICE FOUNDATION

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED MARCH 31, 2020

	Sustainability fund	Unrestricted	Total 2020	Total 2019
BALANCE, BEGINNING OF YEAR	$ 1,400,000	$ 737,613	$ 2,137,613	$ 1,692,578
Excess of revenues over expenditures	-	530,617	530,617	445,035
Transfer to sustainability fund (note 8)	587,649	(587,649)	-	-
BALANCE, END OF YEAR	$ 1,987,649	$ 680,581	$ 2,668,230	$ 2,137,613

CHATHAM-KENT HOSPICE FOUNDATION

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2020

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	$ 200,901	$ 211,187
Short-term investments (note 3)	466,505	163,000
Accounts receivable (notes 4 and 9)	29,810	28,989
Prepaid expenses	2,623	1,311
	699,839	404,487
LONG-TERM INVESTMENTS (note 3)	2,029,565	1,779,099
	$ 2,729,404	$ 2,183,586
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 5 and 9)	$ 35,335	$ 19,642
Deferred special event revenue (note 6)	24,839	18,240
	60,174	37,882
DEFERRED CONTRIBUTIONS (note 7)	1,000	8,091
	61,174	45,973
SUSTAINABILITY FUND (note 8)	1,987,649	1,400,000
UNRESTRICTED	680,581	737,613
	2,668,230	2,137,613
	$ 2,729,404	$ 2,183,586

COVID-19 PANDEMIC (note 11)

ON BEHALF OF THE BOARD

Director

Director

CHATHAM-KENT HOSPICE FOUNDATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2020

	2020	2019
OPERATING ACTIVITIES		
Excess of revenues over expenditures	$ 530,617	$ 445,035
Change in non-cash working capital items (note 10)	13,068	(147,872)
	543,685	297,163
INVESTING ACTIVITIES		
Purchase of investments	(956,645)	(2,183,453)
Withdrawal of investment funds	402,674	1,871,354
	(553,971)	(312,099)
INCREASE (DECREASE) IN CASH	(10,286)	(14,936)
CASH, BEGINNING OF YEAR	211,187	226,123
CASH, END OF YEAR	$ 200,901	$ 211,187

1. NATURE OF OPERATIONS

Chatham-Kent Hospice Foundation was incorporated without share capital on March 20, 2015, under the laws of Ontario. The organization's mission is to enhance the financial sustainability of Chatham Kent Hospice Inc., by working with the community to raise funds, awareness, and understanding to enable compassionate, quality near end of life experiences for the residents of Chatham-Kent. The organization is a registered charity under the Income Tax Act and is exempt from income taxes, provided that certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization applies the Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) CASH

Cash consists of balances with financial institutions.

(b) INVESTMENTS

The organization follows the cost method of accounting for its investments, written down for any impairment in value that is considered other than temporary.

(c) INTERNALLY RESTRICTED NET ASSETS

Internally restricted funds are established as required at the discretion of the board of directors. Increases or decreases in these funds are made by appropriations to or from operations and, where appropriate, upon approval of the board of directors. The internally restricted funds are not available for purposes other than those described below without the approval of the board of directors.

The sustainability fund is used to hold funding to cover future or unexpected capital expenses or other expenditures, as approved by the board of directors. The organization's goal is to grow this fund to a minimum of $2,000,000.

(d) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) CONTRIBUTED MATERIALS AND SERVICES

Contributions of materials are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated, when the materials are used in the normal course of operations, and when the materials would otherwise have been purchased.

A significant number of volunteers contribute their time to the organization each year. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

(f) FINANCIAL INSTRUMENTS

The organization's financial assets consist of cash, short-term investments, accounts receivable and long-term investments. The organization's financial liabilities consist of accounts payable and accrued liabilities. The organization initially measures these financial instruments at fair value except for certain non-arm's length transactions that are measured at the exchange amount.

These financial instruments are subsequently measured at amortized cost and are evaluated for impairment at each statement of financial position date, with the write down recorded in excess of revenues over expenditures. Impairment reversals may occur and the asset can be written up to its original cost.

(g) 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, such as the allowance for doubtful accounts and accrued interest, that affect the reported amounts at the date of the financial statements and the reported amounts of revenues and expenditures during the year. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

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3. INVESTMENTS

Short-term investments consist of the following:

	2020	2019
Guaranteed investment certificate, bearing interest at a rate of 1.85%, maturing December 2, 2020	$ 100,000	$ -
Guaranteed investment certificate, bearing interest at a rate of 1.75%, maturing January 29, 2021	166,505	-
Guaranteed investment certificate, bearing interest at a rate of 1.85%, maturing January 30, 2021	200,000	-
Guaranteed investment certificate, matured	-	163,000
	$ 466,505	$ 163,000

Long-term investments consist of the following:

	2020	2019
Guaranteed investment certificate, bearing interest at a rate of 3.15%, maturing November 23, 2021	$ 1,329,099	$ 1,329,099
Guaranteed investment certificate, bearing interest at a rate of 3.15%, maturing December 4, 2021	450,000	450,000
Guaranteed investment certificate, bearing interest at a rate of 2.15%, maturing December 16, 2022	250,466	-
	$ 2,029,565	$ 1,779,099

4. ACCOUNTS RECEIVABLE

	2020	2019
Trade accounts receivable	$ 8,362	$ 17,668
Accrued interest receivable	8,958	6,191
HST receivable	12,490	5,130
	$ 29,810	$ 28,989

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	2019
Trade accounts payable	$ 31,422	$ 8,661
Accrued liabilities	3,415	8,580
Government remittances payable	498	2,401
	$ 35,335	$ 19,642

6. DEFERRED SPECIAL EVENT REVENUE

Deferred special event revenue represents unearned revenue relating to special events that are scheduled to take place subsequent to the year end, including the Hike for Hospice. As the expenses related to these special events are incurred, the balance of the deferred special events revenue account will be reduced.

	2020	2019
Opening balance	$ 18,240	$ 4,740
Amount received in the year	24,839	18,240
Amount recognized as income in the year	(18,240)	(4,740)
Closing balance	$ 24,839	$ 18,240

7. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources that are related to expenditures for subsequent periods. The deferred contribution balance relates to funds received by the organization for music equipment, stained glass for the reflection room, white boards, clocks and personal care products. As the expenses related to these programs are incurred, the balance of the deferred contributions account will be reduced.

	2020	2019
Opening balance	$ 8,091	$ -
Amount received in the year	1,000	8,091
Expenses recognized in the year	(8,091)	-
Closing balance	$ 1,000	$ 8,091

8. SUSTAINABILITY FUND

During the year, the organization's board of directors approved an internal restriction of $587,649, (2019 - $570,000) of revenues for the purposes of growing the sustainability fund. These funds were transferred from unrestricted operations to the sustainability fund. In the year, $nil, (2018 - $nil) was distributed from this fund at the direction of the board of directors.

9. RELATED PARTY TRANSACTIONS

The organization is related to Chatham Kent Hospice Inc., as the Chatham-Kent Hospice Foundation is responsible for all fundraising and donation activities carried out on Chatham Kent Hospice Inc.'s behalf.

The organization is related to St. Andrew's Residence, Chatham, by way of shared services.

Included in accounts receivable at year end is $8,362, (2019 - $17,668) due from related parties. Included in accounts payable at year end is $29,510, (2019 - $4,369) due to related parties.

During the year, the organization received $335,000, (2019 - $335,000) of municipal grant funding transferred from Chatham Kent Hospice Inc. to be applied against the organization's sustainability fund.

In the year, the organization received $5,358, (2019 - $3,188) in donation revenue transferred from Chatham Kent Hospice Inc.

During the year, the organization transferred $880,421, (2019 - $885,083) to Chatham Kent Hospice Inc. to assist with the related party's operations.

In the year, the organization received $76,579, (2019 - $66,094) from related parties for reimbursement of expenses paid on related parties' behalf.

During the year, the organization paid $90,887, (2019 - $66,312) to related parties for reimbursement of expenses paid on the organization's behalf.

Management is of the opinion that related party transactions are performed at fair value. Consequently, all related party transactions are measured at the exchange amount.

10. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2020	2019
Accounts receivable	$ (821)	$ (5,263)
Prepaid expenses	(1,312)	284
Accounts payable and accrued liabilities	15,693	(140,202)
Deferred special event revenue	6,599	(10,782)
Deferred contributions	(7,091)	8,091
	$ 13,068	$ (147,872)

11. COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic resulting in governments worldwide enacting emergency measures to combat the spread of the virus. The pandemic was ongoing as at the date of the audit report. The potential economic effects within the organization's environment, possible disruption in supply chains and measures being introduced at various levels of government to curtail the spread of the virus, such as travel restrictions, introduction of social distancing and quarantine protocols, and the closure of services deemed non-essential, may have a material impact on the organization's operations in a future period. The COVID-19 pandemic has had a minimal impact on the financial statements presented for the year ended March 31, 2020.

As of July 30, 2020, management is aware of changes in the organization's activities as a result of the COVID-19 crisis, including the cancellation or alteration of several key internal fundraising events including the Hike for Hospice and annual benefit gala, the cancellation of external fundraising events and fewer donations received due to the general uncertainty surrounding the pandemic. The extent of the impact of this outbreak and related containment measures on the organization's operations cannot be reliably estimated at this time. The organization is continually monitoring and assessing new information and recommendations from health and government authorities as it becomes available and will continue to respond accordingly.

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12. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an organization 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. In management's opinion, there has been no change to the organization's risks during the year.

(a) MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. These risks are generally outside the control of the organization. In management's opinion, the organization is not exposed to significant market risk.

(b) CREDIT RISK

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 is exposed to credit risk in the event of non-payment by customers for their accounts receivable. The organization reduces its exposure to credit risk by creating an allowance for doubtful accounts when applicable. In the opinion of management, the credit risk exposure to the organization is low and is not material.

(c) CONCENTRATION RISK

Concentration risk is the risk that a customer has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the organization in the event of a default by one of these customers. Concentrations of credit risk relates to groups of counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. At March 31, 2020, receivables from 1 customer, (2019 - 1 customer) comprised approximately 28%, (2019 - 61%) of the total outstanding receivables. The organization reduces concentration risk by regularly assessing the credit risk associated with these accounts and closely monitoring any overdue balances. In the opinion of management, the concentration risk exposure to the organization is low and is not material.

(d) LIQUIDITY RISK

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and prepares budgets and cash forecasts to ensure that sufficient funds are available to fulfil the organization's obligations. In the opinion of management, the liquidity risk exposure to the organization is low and is not material.

12. FINANCIAL INSTRUMENTS, continued

(e) INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This exposure may have an effect on earnings in future periods. The organization is exposed to interest rate risk on its investments. The organization reduces its exposure to interest rate risk by diversifying its investment portfolio. The organization does not use derivative instruments to reduce its exposure to interest rate risk. In the opinion of management, interest rate risk exposure to the organization is low and is not material.