
HOPE AIR

FINANCIAL STATEMENTS

DECEMBER 31, 2013

INDEPENDENT AUDITOR'S REPORT

To the Members,
Hope Air

Report on the Financial Statements

We have audited the accompanying financial statements of Hope Air which comprise the statement of financial position as at December 31, 2013, and the statements of operations and changes in 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 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donation and special events revenue, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the organization, and we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenue over expenses for the year, assets and net assets.

Qualified Opinion

In our 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 Hope Air as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Cowperthwaite Mehta

Chartered Accountants
Licensed Public Accountants

March 4, 2014
Toronto, Ontario

HOPE AIR


STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2013

	2013	2012
ASSETS		
Current assets		
Cash	\$ 118,803	\$ 122,680
Short-term investments (note 3)	1,350,000	800,000
Accounts receivable	17,759	40,136
Sales taxes recoverable	25,610	44,803
Prepaid expenses (note 4)	<u>40,023</u>	<u>49,314</u>
	1,552,195	1,056,933
Capital assets (note 5)	<u>69,742</u>	<u>42,356</u>
	<u>\$ 1,621,937</u>	<u>\$ 1,099,289</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 13,803	\$ 31,956
Deferred revenue (note 6)	<u>872,892</u>	<u>425,313</u>
	886,695	457,269
Deferred capital contributions	<u>47,399</u>	<u>11,254</u>
	<u>934,094</u>	<u>468,523</u>
Net assets		
Founders' Fund (note 7)	9,231	9,231
Unrestricted	<u>678,612</u>	<u>621,535</u>
	<u>687,843</u>	<u>630,766</u>
	<u>\$ 1,621,937</u>	<u>\$ 1,099,289</u>

Approved on behalf of the Board:

 Director

 Director

see accompanying notes

HOPE AIR

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
REVENUE		
Restricted funding for flight programs	\$ 1,395,497	\$ 1,011,252
Other funding (unrestricted) (note 8)	532,344	820,418
Government grants	94,151	83,500
Restricted funding for outreach programs	90,000	105,000
Capital grant	15,261	2,815
Interest and other	<u>12,029</u>	<u>7,633</u>
	<u>2,139,282</u>	<u>2,030,618</u>
EXPENSES		
Flight expenses	1,279,591	1,186,549
Salaries and benefits	541,306	454,819
Rent	72,998	46,330
Administration and general	50,610	57,405
Public awareness	41,940	48,480
Computers	35,859	60,244
Travel and conference	15,486	15,357
Insurance	13,553	14,305
Legal and audit	5,890	6,815
Amortization	<u>24,972</u>	<u>12,334</u>
	<u>2,082,205</u>	<u>1,902,638</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	57,077	127,980
Net assets, beginning of year	<u>630,766</u>	<u>502,786</u>
NET ASSETS, END OF YEAR	<u>\$ 687,843</u>	<u>\$ 630,766</u>

see accompanying notes

HOPE AIR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2013

	2013	2012
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 57,077	\$ 127,980
Adjustments for amortization provisions:		
Capital contributions taken into income	(15,261)	(2,815)
Capital asset expense	24,972	12,334
Net change in non-cash working capital items	<u>480,287</u>	<u>102,411</u>
Cash generated from operating activities	<u>547,075</u>	<u>239,910</u>
FINANCING ACTIVITIES		
Purchase of short-term investments	(550,000)	(426,603)
Increase in deferred capital contributions	<u>51,406</u>	<u> </u>
Cash used in financing activities	<u>(498,594)</u>	<u>(426,603)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(52,358)</u>	<u> </u>
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(3,877)	(186,693)
Cash, beginning of year	<u>122,680</u>	<u>309,373</u>
CASH, END OF YEAR	<u>\$ 118,803</u>	<u>\$ 122,680</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ 22,377	\$ (14,331)
Sales taxes recoverable	19,193	(19,704)
Prepaid expenses	9,291	(29,783)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(18,153)	5,617
Deferred revenue	<u>447,579</u>	<u>160,612</u>
	<u>\$ 480,287</u>	<u>\$ 102,411</u>

see accompanying notes

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

Hope Air is a not-for-profit organization incorporated under Part III of the Corporations Act of Ontario without share capital for the purposes of carrying on objects of a charitable nature.

The organization arranges air transportation for Canadians in financial need who must travel between their own communities and recognized facilities for medical treatment or diagnosis. This service is provided by utilizing donated flights from commercial airlines, volunteer operated flights in private aircraft, donated flights on corporate aircraft and purchased flights on commercial aircraft.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the organization are in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Financial instruments

Financial instruments include cash, interest bearing term deposits, accounts receivable and accounts payable and accrued liabilities. Cash is measured at fair value. Term deposits are measured at fair value calculated at original purchase price plus accrued interest. All other financial instruments are recorded at cost.

Capital assets

Capital assets are recorded at cost. Amortization is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Leasehold improvements	-	7 years straight line
Furniture and fixtures	-	5 years straight line
Computer equipment	-	5 years straight line

Revenue recognition

The organization follows the deferral method of revenue recognition. Its principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) Government grants and restricted donations or program grants related to current expenditures are reflected in the accounts as a revenue item in the current year. Grants and restricted donations received in the year for expenses to be incurred in the following fiscal year are recorded as deferred revenue. Grants and restricted donations related to the purchase of capital assets are recorded as revenue in the same period the related capital assets are charged to operations.
- ii) Investment income is recorded when earned.
- iii) Unrestricted contributions received from foundations, corporations, individuals and third-party special events is recorded when funds are received. Unrestricted revenue from fundraising events held by the organization is recognized when the events have occurred and there is reasonable assurance of collection.

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

Donations of products and services

Commercial airline partners, sponsors and other interested parties donate a substantial value of products and services to the organization. In addition, volunteers contribute substantial time and services throughout the year to the organization. These donations of in-kind products and services provide considerable financial relief to the organization to run its charity programs. Due to the difficulty of determining the fair market value of these donated products and services, the value is not recorded in these financial statements.

2. FINANCIAL RISKS

Certain financial instruments expose the organization to risks which may affect the cash flows of the organization. Specifically:

Interest rate risk results from fluctuations in market interest rates. The organization holds fixed rate guaranteed investment certificates and fluctuations in market interest rates does not affect future cash flows.

Liquidity risk is the risk that the organization will not be able to meet its obligations associated with financial liabilities. The organization expects to meet its financial obligations for accounts payable and accrued liabilities through cash flows generated from operations.

It is management's opinion that the organization is not exposed to significant interest rate or liquidity risks.

3. SHORT-TERM INVESTMENTS

The short-term investments of \$1,350,000 consist of guaranteed investment certificates (GICs) held at a major Canadian chartered bank and earn interest ranging from 1.15% to 1.25%. The GICs have maturity dates between January 1, 2014 and March 20, 2014.

4. PREPAID EXPENSES

Prepaid expenses are recorded for goods and services to be received in the next fiscal year that were paid for in the current fiscal year. The prepaid expenses are composed of the following:

	2013	2012
Flights purchased to be flown in following year	\$ 29,309	\$ 39,389
Prepaid rent and insurance	<u>10,714</u>	<u>9,925</u>
	<u>\$ 40,023</u>	<u>\$ 49,314</u>

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NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2013

5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	2013 Net	2012 Net
Leasehold improvements	\$ 102,475	\$ (43,831)	\$ 58,644	\$ 34,747
Furniture and fixtures	22,562	(15,624)	6,938	7,609
Computer equipment	<u>5,200</u>	<u>(1,040)</u>	<u>4,160</u>	<u>nil</u>
	<u>\$ 130,237</u>	<u>\$ (60,495)</u>	<u>\$ 69,742</u>	<u>\$ 42,356</u>

6. DEFERRED REVENUE

Deferred revenue represents unspent resources, externally restricted for projects and operating funding, received in the prior and current years that are related to the subsequent year's activities. This deferred revenue is recognized as operating revenue at the time the related expenditure is recognized in the statement of operations and changes in net assets. Deferred revenue is composed of the following:

	2013	2012
Specific flight regions or client demographics	\$ 767,892	\$ 306,913
Outreach programs	45,000	60,000
Volunteer programs	60,000	22,500
Other restricted amounts	<u> </u>	<u>35,900</u>
Deferred revenue, end of year	<u>\$ 872,892</u>	<u>\$ 425,313</u>

Continuity of deferred revenue for the year is as follows:

	2013	2012
Deferred revenue, beginning of year	\$ 425,313	\$ 264,702
Add funds received in year	2,006,955	1,561,258
Less funds recognized in revenue	<u>(1,559,376)</u>	<u>(1,400,647)</u>
Deferred revenue, end of year	<u>\$ 872,892</u>	<u>\$ 425,313</u>

7. FOUNDERS' FUND

The Board of Directors set up a Founders' Fund in 1999 to hold donations given to the organization in the name of its founders. The funds are to be used to further the goals and objectives of Hope Air on the recommendation of the founders.

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NOTES TO THE FINANCIAL STATEMENTS

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8. OTHER FUNDING

Other funding represents resources received through donations from foundations, corporations, individuals and special events that has not been restricted for the purchase of flights. This unrestricted revenue is recognized as operating revenue at the time of receipt and is used to further the goals and objectives of the organization.

	2013	2012
Private sector	\$ 337,922	\$ 390,947
Foundations	76,662	159,871
Special events	<u>117,760</u>	<u>269,598</u>
	<u>\$ 532,344</u>	<u>\$ 820,416</u>

9. LEASE COMMITMENTS

The organization leases space from Yonge-Merton Developments Limited under a 7 year lease expiring December 2016 . Minimum lease payments are as follows:

2014	\$ 97,523
2015	99,887
2016	<u>102,369</u>
	<u>\$ 299,779</u>

10. RELATED PARTY TRANSACTIONS

The organization had aggregate expenditures of \$1,597 (\$2,753 in 2012) for reimbursement of a portion of the fuel cost for one Board member who flew missions as a volunteer pilot. These expenditures were made in accordance with volunteer pilot reimbursement policies applicable to all pilots. The organization expects the mission reimbursements to continue in the coming years.

11. INCOME TAX STATUS

The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada). As such, it is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as an organization registered under the Income Tax Act, the organization must meet certain requirements within the Act. In the opinion of management, these requirements have been met.