
HOPE AIR

FINANCIAL STATEMENTS

DECEMBER 31, 2015

INDEPENDENT AUDITOR'S REPORT

To the Members,
Hope Air

We have audited the accompanying financial statements of Hope Air which comprise the statement of financial position as at December 31, 2015, 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, 2015, and the results of operations 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 8, 2016
Toronto, Ontario

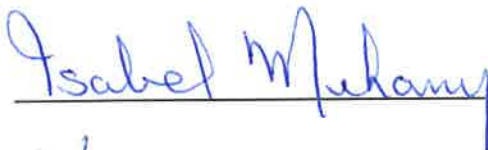
HOPE AIR

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

	2015	2014
ASSETS		
Current assets		
Cash	\$ 288,530	\$ 99,493
Short-term investments (note 3)	1,100,000	900,000
Accounts receivable	74,617	12,763
Sales taxes recoverable	39,998	42,498
Prepaid expenses (note 4)	<u>65,780</u>	<u>61,546</u>
	1,568,925	1,116,300
Capital assets (note 5)	<u>43,936</u>	<u>44,770</u>
	<u>\$ 1,612,861</u>	<u>\$ 1,161,070</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 63,662	\$ 10,176
Deferred revenue (note 6)	<u>704,396</u>	<u>370,809</u>
	768,058	380,985
Deferred capital contributions	<u>16,877</u>	<u>32,138</u>
	<u>784,935</u>	<u>413,123</u>
Net assets		
Founders' Fund (note 7)	9,231	9,231
Unrestricted	<u>818,695</u>	<u>738,716</u>
	<u>827,926</u>	<u>747,947</u>
	<u>\$ 1,612,861</u>	<u>\$ 1,161,070</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, 2015

	2015	2014
REVENUE		
Restricted funding for flight programs	\$ 2,201,000	\$ 1,633,776
Other funding (unrestricted) (note 8)	695,556	701,994
Government grants	61,649	72,400
Restricted funding for outreach programs	60,000	50,000
Capital contributions	15,261	15,261
Interest and other	<u>5,340</u>	<u>15,335</u>
	<u>3,038,806</u>	<u>2,488,766</u>
EXPENSES		
Flight expenses	1,957,645	1,489,386
Salaries and benefits	687,084	601,776
Public awareness	73,191	91,043
Rent	80,947	81,784
Administration and general	51,790	52,858
Computers	31,868	35,666
Travel and conference	20,525	22,382
Professional fees	11,529	16,423
Insurance	12,833	12,372
Amortization	<u>31,415</u>	<u>24,972</u>
	<u>2,958,827</u>	<u>2,428,662</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	79,979	60,104
Net assets, beginning of year	<u>747,947</u>	<u>687,843</u>
NET ASSETS, END OF YEAR	<u>\$ 827,926</u>	<u>\$ 747,947</u>

see accompanying notes

HOPE AIR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

	2015	2014
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 79,979	\$ 60,104
Adjustments for amortization provisions:		
Capital contributions taken into income	(15,261)	(15,261)
Amortization expense	31,415	24,972
Net change in non-cash working capital items	<u>323,485</u>	<u>(539,125)</u>
Cash generated from (used in) operating activities	<u>419,618</u>	<u>(469,310)</u>
FINANCING ACTIVITIES		
(Purchase) redemption of short-term investments	<u>(200,000)</u>	<u>450,000</u>
INVESTING ACTIVITIES		
Purchase of capital assets	<u>(30,581)</u>	<u> </u>
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	189,037	(19,310)
Cash, beginning of year	<u>99,493</u>	<u>118,803</u>
CASH, END OF YEAR	<u>\$ 288,530</u>	<u>\$ 99,493</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ (61,854)	\$ 4,996
Sales taxes recoverable	2,500	(16,888)
Prepaid expenses	(4,234)	(21,523)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	53,486	(3,627)
Deferred revenue	<u>333,587</u>	<u>(502,083)</u>
	<u>\$ 323,485</u>	<u>\$ (539,125)</u>

see accompanying notes

HOPE AIR

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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 home communities and recognized facilities for medical treatment or diagnosis. This charity service is provided by utilizing donated flights from commercial aircraft (donated by the airline partners) and flights on private aircraft (donated by volunteer pilot operators and owners of corporate 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, guaranteed investment certificates, accounts receivable and accounts payable and accrued liabilities. Cash is measured at fair value. Guaranteed investment certificates 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.

HOPE AIR

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

Use of Estimates

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Specifically, significant assumptions have been made in arriving at the flight costs recoverable under the Northern Health Travel Grant Program (ON) and the calculation of deferred revenue that is restricted for specific flight regions and demographics. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the period in which they become known.

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.

3. SHORT-TERM INVESTMENTS

The short-term investments of \$1,100,000 consist of guaranteed investment certificates (GICs) held at a major Canadian chartered bank and earn interest ranging from 0.80% to 0.85%. The GICs have maturity dates between February 1 and April 30, 2016.

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:

	2015	2014
Flights purchased to be flown in following year	\$ 54,605	\$ 50,371
Prepaid rent and insurance	<u>11,175</u>	<u>11,175</u>
	<u>\$ 65,780</u>	<u>\$ 61,546</u>

HOPE AIR

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	2015 Net	2014 Net
Leasehold improvements	\$ 120,967	\$ (91,915)	\$ 29,052	\$ 39,225
Furniture and fixtures	32,405	(21,397)	11,008	2,425
Computer equipment	<u>7,446</u>	<u>(3,570)</u>	<u>3,876</u>	<u>3,120</u>
	<u>\$ 160,818</u>	<u>\$ (116,882)</u>	<u>\$ 43,936</u>	<u>\$ 44,770</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:

	2015	2014
Specific flight regions or client demographics	\$ 644,396	\$ 310,809
Volunteer programs	nil	35,000
Outreach programs	<u>60,000</u>	<u>25,000</u>
Deferred revenue, end of year	<u>\$ 704,396</u>	<u>\$ 370,809</u>

Continuity of deferred revenue for the year is as follows:

	2015	2014
Deferred revenue, beginning of year	\$ 370,809	\$ 872,892
Add funds received in year	1,988,034	1,057,293
Less funds recognized in revenue	<u>(1,654,447)</u>	<u>(1,559,376)</u>
Deferred revenue, end of year	<u>\$ 704,396</u>	<u>\$ 370,809</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.

HOPE AIR

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2015

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.

	2015	2014
Private sector	\$ 360,271	\$ 427,907
Foundations	95,300	102,412
Special events	<u>239,985</u>	<u>171,675</u>
	<u>\$ 695,556</u>	<u>\$ 701,994</u>

9. LEASE COMMITMENTS

The organization leases space under a 7 year lease expiring December 2016. The 2016 lease commitment is \$102,369.

10. RELATED PARTY TRANSACTIONS

The organization had aggregate expenditures of \$2,141 (\$886 in 2014) for reimbursement of a portion of the fuel cost for two Board members who flew missions as volunteer pilots. 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.