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**HOPE AIR**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

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## 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, 2016, 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, 2016, 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 20, 2017  
Toronto, Ontario


**HOPE AIR**

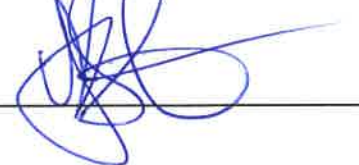
**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2016**

	2016	2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 123,978	\$ 288,530
Short-term investments (note 3)	1,356,482	1,100,000
Accounts receivable	8,010	74,617
Sales taxes recoverable	45,311	39,998
Prepaid expenses (note 4)	<u>48,722</u>	<u>65,780</u>
	1,582,503	1,568,925
<b>Capital assets (note 5)</b>	<u>9,057</u>	<u>43,936</u>
	<u>\$ 1,591,560</u>	<u>\$ 1,612,861</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 11,667	\$ 63,662
Deferred revenue (note 6)	<u>646,105</u>	<u>704,396</u>
	657,772	768,058
<b>Deferred capital contributions</b>	<u>nil</u>	<u>16,877</u>
	<u>657,772</u>	<u>784,935</u>
<b>Net assets</b>		
Founders' Fund (note 7)	9,231	9,231
Unrestricted	<u>924,557</u>	<u>818,695</u>
	<u>933,788</u>	<u>827,926</u>
	<u>\$ 1,591,560</u>	<u>\$ 1,612,861</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, 2016

	2016	2015
<b>REVENUE</b>		
Restricted funding for flight programs	\$ 2,276,206	\$ 2,197,901
Other funding (unrestricted) (note 8)	943,534	695,556
Government grants	51,400	61,649
Restricted funding for outreach programs	38,000	60,000
Capital contributions	16,877	15,261
Interest and other	<u>10,116</u>	<u>5,340</u>
	<u>3,336,133</u>	<u>3,035,707</u>
<b>EXPENSES</b>		
Flight expenses	2,158,350	1,954,546
Salaries and benefits	655,320	687,084
Public awareness	176,728	73,191
Rent	80,906	80,947
Administration and general	54,181	51,790
Computers	25,973	31,868
Travel and conference	23,328	20,525
Professional fees	7,445	11,529
Insurance	13,161	12,833
Amortization	<u>34,879</u>	<u>31,415</u>
	<u>3,230,271</u>	<u>2,955,728</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>		
<b>EXPENSES FOR THE YEAR</b>	105,862	79,979
Net assets, beginning of year	<u>827,926</u>	<u>747,947</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 933,788</u>	<u>\$ 827,926</u>

see accompanying notes

# HOPE AIR

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 105,862	\$ 79,979
Adjustments for amortization provisions:		
Capital contributions taken into income	(16,877)	(15,261)
Amortization expense	34,879	31,415
Net change in non-cash working capital items	<u>(31,934)</u>	<u>323,485</u>
Cash generated from (used In) operating activities	<u>91,930</u>	<u>419,618</u>
<b>FINANCING ACTIVITIES</b>		
Purchase of short-term investments	<u>(256,482)</u>	<u>(200,000)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>nil</u>	<u>(30,581)</u>
<b>NET DECREASE IN CASH FOR THE YEAR</b>	(164,552)	189,037
Cash, beginning of year	<u>288,530</u>	<u>99,493</u>
<b>CASH, END OF YEAR</b>	<u>\$ 123,978</u>	<u>\$ 288,530</u>

### Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Accounts receivable	\$ 66,607	\$ (61,854)
Sales taxes recoverable	(5,313)	2,500
Prepaid expenses	17,058	(4,234)
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	(51,995)	53,486
Deferred revenue	<u>(58,291)</u>	<u>333,587</u>
	<u>\$ (31,934)</u>	<u>\$ 323,485</u>

see accompanying notes

# HOPE AIR

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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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.

Hope Air is a national charity that arranges free flights for Canadians in financial need who must travel to healthcare, helping to alleviate the burden of long-distance travel for people who require treatment far from home. Hope Air is generously supported by commercial airlines, corporations, foundations, individuals and special events, among other funding sources. The majority of flights are purchased via funds raised by Hope Air, while some flights are provided through the donation of seats from both commercial airlines and volunteer pilots utilizing private 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) Cost reimbursements are available under an Ontario Northern Health Travel Grants program for patients' flights that meet specific criteria. Patients complete claims applications and, if they are successful, the organization receives a refund of flight expenses plus \$100 which is paid back to the patient. These grants are recorded on a cash basis because the success of the applications and timing of grant receipts cannot be reasonably determined.
- iii) Investment income is recorded when earned.
- iv) 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, 2016

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 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.

#### 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 \$1,356,482 consist of cashable guaranteed investment certificates (GICs) held at a major Canadian chartered bank and earn interest ranging from 0.79% to 1.00%. The GICs have maturity dates between March and December 2017.

### 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:

	2016	2015
Flights purchased to be flown in following year	\$ 37,547	\$ 54,605
Prepaid rent and insurance	<u>11,175</u>	<u>11,175</u>
	<u>\$ 48,722</u>	<u>\$ 65,780</u>

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## NOTES TO THE FINANCIAL STATEMENTS

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### 5. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	2016 Net	2015 Net
Furniture and fixtures	\$ 32,405	\$ (25,734)	\$ 6,671	\$ 11,008
Computer equipment	7,446	(5,060)	2,386	3,876
Leasehold improvements	<u>120,967</u>	<u>(120,967)</u>	<u>nil</u>	<u>29,052</u>
	<u>\$ 160,818</u>	<u>\$ (151,761)</u>	<u>\$ 9,057</u>	<u>\$ 43,936</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:

	2016	2015
Specific flight regions or client demographics	\$ 539,103	\$ 644,396
Outreach programs	57,000	60,000
Other restricted programs	<u>50,002</u>	<u>          </u>
Deferred revenue, end of year	<u>\$ 646,105</u>	<u>\$ 704,396</u>

Continuity of deferred revenue for the year is as follows:

	2016	2015
Deferred revenue, beginning of year	\$ 704,396	\$ 370,809
Add funds received in year	2,222,058	1,988,034
Less funds recognized in revenue	<u>(2,280,349)</u>	<u>(1,654,447)</u>
Deferred revenue, end of year	<u>\$ 646,105</u>	<u>\$ 704,396</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

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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.

	2016	2015
Private sector	\$ 511,474	\$ 360,271
Foundations	87,350	95,300
Special events	<u>344,710</u>	<u>239,985</u>
	<u>\$ 943,534</u>	<u>\$ 695,556</u>

### 9. LEASE COMMITMENTS

The organization leases space under a five year lease that expires in 2021. Lease commitments, including basic and estimated additional rent, are as follows:

2017	\$ 78,975
2018	88,943
2019	91,243
2020	91,243
2021	<u>91,243</u>
	<u>\$ 441,647</u>

### 10. RELATED PARTY TRANSACTIONS

The organization had aggregate expenditures of \$2,891 (\$2,141 in 2015) 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.