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**HOPE AIR**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2017**

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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, 2017, 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 donation and fundraising revenue and excess of revenue over expenses for the year for the years ended December 31, 2017 and 2016, current assets as at December 31, 2017 and 2016, and net assets as at January 1, 2017 and 2016 and December 31, 2017 and 2016.

### *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, 2017, 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 Professional Accountants  
Licensed Public Accountants

March 19, 2018  
Toronto, Ontario

**HOPE AIR**

**STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2017**

**2017**

**2016**

**ASSETS**

**Current assets**

Cash	\$ 266,184	\$ 123,978
Short-term investments (note 3 and 4)	1,803,375	1,356,482
Accounts receivable	39,660	8,010
Sales taxes recoverable	45,444	45,311
Prepaid expenses (note 5)	<u>35,487</u>	<u>48,722</u>

2,190,150 1,582,503

**Capital assets (note 6)**

4,832 9,057

\$ 2,194,982 \$ 1,591,560

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued liabilities	\$ 47,043	\$ 11,667
Deferred revenue (note 7)	<u>819,002</u>	<u>646,105</u>

866,045 657,772


**Net assets**

Founders' Fund (note 8)	9,231	9,231
Unrestricted	<u>1,319,706</u>	<u>924,557</u>

1,328,937 933,788

\$ 2,194,982 \$ 1,591,560

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, 2017

	2017	2016
<b>REVENUE</b>		
Donations and grants -		
Restricted	\$ 2,716,896	\$ 2,327,606
General	1,197,908	955,109
Restricted funding for outreach programs	57,000	38,000
Capital contributions		16,877
Interest and other	<u>21,568</u>	<u>10,116</u>
	<u>3,993,372</u>	<u>3,347,708</u>
<b>EXPENSES</b>		
Flight expenses	2,466,669	2,158,350
Salaries and benefits	741,231	667,567
Public awareness	174,666	176,728
Rent	81,833	80,906
Administration and general	62,001	53,509
Information technology	35,815	25,973
Insurance	13,161	13,161
Travel and conference	10,672	23,328
Professional fees	7,950	7,445
Amortization	<u>4,225</u>	<u>34,879</u>
	<u>3,598,223</u>	<u>3,241,846</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	395,149	105,862
Net assets, beginning of year	<u>933,788</u>	<u>827,926</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,328,937</u>	<u>\$ 933,788</u>

see accompanying notes

# HOPE AIR

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the year	\$ 395,149	\$ 105,862
Adjustments for amortization provisions:		
Capital contributions taken into income		(16,877)
Amortization expense	4,225	34,879
Net change in non-cash working capital items	<u>189,725</u>	<u>(31,934)</u>
Cash generated from (used in) operating activities	<u>589,099</u>	<u>91,930</u>
<b>FINANCING ACTIVITIES</b>		
Purchase of short-term investments	<u>(446,893)</u>	<u>(256,482)</u>
<b>NET INCREASE (DECREASE) IN CASH FOR THE YEAR</b>	142,206	(164,552)
Cash, beginning of year	<u>123,978</u>	<u>288,530</u>
<b>CASH, END OF YEAR</b>	<u>\$ 266,184</u>	<u>\$ 123,978</u>

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

Decrease (increase) in current assets-		
Accounts receivable	\$ (31,650)	\$ 66,607
Sales taxes recoverable	(133)	(5,313)
Prepaid expenses	13,234	17,058
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	35,376	(51,995)
Deferred revenue	<u>172,898</u>	<u>(58,291)</u>
	<u>\$ 189,725</u>	<u>\$ (31,934)</u>

see accompanying notes

# HOPE AIR

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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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 the only national charity providing Canadians in financial need with free travel to specialized medical care that does not exist in their home communities. Since 1986, Hope Air has provided thousands of travel arrangements to patients of all ages and illnesses across the country. Hope Air believes that every Canadian is entitled to have access to the healthcare they need, despite distance or cost of travel.

Hope Air fulfills its mandate by arranging travel to specialized care primarily through flights, but also provides travel assistance for residents of Prince Edward Island who use the Confederation Bridge or the ferry service to the mainland. This is accomplished through the generous support of corporations, foundations, government and individuals donors, commercial airline support, third-party organized special events, volunteers who donate their time and skills to the organization and general aviation pilots who donate their time and 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:

Furniture and fixtures	-	5 years straight line
Computer equipment	-	5 years straight line
Leasehold improvements	-	7 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) Grants and restricted donations 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 its direct flight expenses incurred. Any additional reimbursement amount received by the organization under the government program is paid to the patient. An estimate of grants receivable at year end is calculated based on collection history in prior years and collection is reasonably assured.

# HOPE AIR

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

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

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.

#### **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 \$1,803,375 consist of cashable guaranteed investment certificates (GICs) held at a major Canadian chartered bank. Unrestricted investments of \$1,553,375 earn interest of 1.20% and mature in October 2018. The remaining investments are held as security for the organization's credit card transactions and earn interest at 0.97% (see note 4).

### 4. BANKING ARRANGEMENTS

The organization has entered into a cash collateral agreement with a major Canadian chartered bank to pledge the sum of \$250,000, represented by a guaranteed investment certificate, to secure liabilities which the organization may incur, from time to time, in respect of the organization's credit card transactions.

# HOPE AIR

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

### 5. 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:

	2017	2016
Flights purchased to be flown in following year	\$ 24,312	\$ 37,547
Prepaid rent and insurance	<u>11,175</u>	<u>11,175</u>
	<u>\$ 35,487</u>	<u>\$ 48,722</u>

### 6. CAPITAL ASSETS

Capital assets, recorded at cost, are as follows:

	Cost	Accumulated Amortization	2017 Net	2016 Net
Furniture and fixtures	\$ 32,405	\$ (28,469)	\$ 3,936	\$ 6,671
Computer equipment	7,446	(6,550)	896	2,386
Leasehold improvements	<u>120,967</u>	<u>(120,967)</u>	<u>nil</u>	<u>nil</u>
	<u>\$ 160,818</u>	<u>\$ (155,986)</u>	<u>\$ 4,832</u>	<u>\$ 9,057</u>

### 7. 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:

	2017	2016
Specific flight regions or client demographics	\$ 675,000	\$ 539,103
Special events	84,000	
Outreach programs	30,000	57,000
Other restricted programs	<u>30,002</u>	<u>50,002</u>
Deferred revenue, end of year	<u>\$ 819,002</u>	<u>\$ 646,105</u>

Continuity of deferred revenue for the year is as follows:

	2017	2016
Deferred revenue, beginning of year	\$ 646,105	\$ 704,396
Add funds received in year	2,946,793	2,307,315
Less funds recognized in revenue	<u>(2,773,896)</u>	<u>(2,365,606)</u>
Deferred revenue, end of year	<u>\$ 819,002</u>	<u>\$ 646,105</u>



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### 8. 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.

### 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:

2018	\$	85,923
2019		88,224
2020		88,224
2021		<u>88,224</u>
	\$	<u>350,595</u>

### 10. 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.