



Financial statements

Hope Air

December 31, 2020

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# Independent auditor's report

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To the Members of  
**Hope Air**

## Qualified Opinion

We have audited the financial statements of Hope Air, which comprise the statement of financial position as at December 31, 2020, and the statements of operations and 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.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Hope Air as at December 31, 2020 and its results of 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 not-for-profit and charitable organizations, Hope Air derives revenues from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Hope Air. Therefore, we were not able to determine whether any adjustments might be necessary to donations and grant revenue, excess of revenue over expenditure, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1, 2019 and 2018 and December 31, 2020 and 2019.

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 Hope Air 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 qualified opinion.

## Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Hope Air'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 Hope Air or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Hope Air's financial reporting process.

### **Auditor's Responsibility 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 Hope Air's internal control.
- 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 Hope Air'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 Hope Air 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script font.

Mississauga, Canada  
April 9, 2021

Chartered Professional Accountants  
Licensed Public Accountants

# Hope Air

## Statement of Financial Position

December 31

2020

2019

### Assets

#### Current

Cash and cash equivalents (Note 3)	\$ 1,047,063	\$ 316,508
Short-term investments (Note 4)	4,328,154	2,226,418
Accounts receivable	33,284	38,726
Sales tax recoverable	46,910	39,947
Prepaid expenses (Note 5)	<u>32,647</u>	<u>41,034</u>
	<b>5,488,058</b>	<b>2,662,633</b>

Capital assets (Note 6)	<u>14,595</u>	<u>7,309</u>
	<b>\$ 5,502,653</b>	<b>\$ 2,669,942</b>

### Liabilities and Net Assets

#### Current

Accounts payable and accrued liabilities	\$ 84,271	\$ 94,133
Deferred revenue (Note 7)	<u>3,071,887</u>	<u>952,884</u>
	<b>3,156,158</b>	<b>1,047,017</b>

#### Net Assets

Founders' Fund	9,231	9,231
Unrestricted	<u>2,337,264</u>	<u>1,613,694</u>
	<b>2,346,495</b>	<b>1,622,925</b>
	<b>\$ 5,502,653</b>	<b>\$ 2,669,942</b>

Commitments (Note 8)

On behalf of the Board

\_\_\_\_\_ Director

\_\_\_\_\_ Director

See accompanying notes to the financial statements.

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## Hope Air

### Statement of Operations and Changes in Net Assets

Year Ended December 31

2020

2019

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#### Revenue

Restricted donations and grants (Note 9)	\$ 2,384,847	\$ 4,330,970
Unrestricted donations and grants (Note 9)	1,202,406	1,180,042
Government assistance (Note 12)	323,745	-
Unrealized gain/(loss) on investments	101,736	116,078
Interest and other	13,445	11,751
	<u>4,026,179</u>	<u>5,638,841</u>

#### Expenses

Program expenses (Note 9)	1,727,395	3,939,216
Salaries and benefits	1,218,345	1,041,255
Public awareness	131,802	148,898
Rent	95,867	79,550
Administration and general (Note 9)	60,694	54,357
Information technology	30,040	179,356
Professional fees	17,725	28,830
Insurance	13,018	14,939
Amortization	4,866	4,851
Travel and conference	2,857	23,864
	<u>3,302,609</u>	<u>5,515,116</u>

Excess of revenue over expenses for the year	723,570	123,725
Net assets, beginning of the year	<u>1,622,925</u>	<u>1,499,200</u>
Net assets, end of year	\$ <u>2,346,495</u>	\$ <u>1,622,925</u>

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See accompanying notes to the financial statements.

# Hope Air

## Statement of Cash Flows

Year Ended December 31

2020

2019

Increase (decrease) in cash

### Operating

Excess of revenues over expenses for the year	\$ 723,570	\$ 123,725
Amortization	4,866	4,851
Unrealized gain on investments	<u>(101,736)</u>	<u>(116,078)</u>
	626,700	12,498

Change in non-cash working capital balances

Accounts receivable	5,442	(19,377)
Sales tax recoverable	(6,963)	4,173
Prepaid expenses	8,387	31,893
Accounts payable and accrued liabilities	(9,862)	16,309
Deferred revenue	<u>2,119,003</u>	<u>37,642</u>
	<u>2,742,707</u>	<u>83,138</u>

### Investing

Purchase of capital assets	<u>(12,152)</u>	-
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### Financing

Net change in short-term investments	<u>(2,000,000)</u>	<u>217,476</u>
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Change in cash and cash equivalents during the year	730,555	300,614
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Cash and cash equivalents, beginning of year	<u>316,508</u>	<u>15,894</u>
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Cash and cash equivalents, end of year	\$ <u>1,047,063</u>	\$ <u>316,508</u>
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See accompanying notes to the financial statements.

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# Hope Air

## Notes to the Financial Statements

December 31, 2020

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### 1. Nature of operations

Hope Air (“the Organization”) 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 Canada’s only national charity providing free travel and accommodations for Canadians in financial need who must access medical care far from home. Since its inception in 1986, Hope Air has provided more than 150,000 travel arrangements for patients regardless of age or medical need. For people living on a low income in small and rural communities, distance and cost are very real barriers to them accessing vital medical care. Hope Air is a unique and essential part of our Canadian healthcare system. Without the access Hope Air provides, our national system of universal healthcare coverage would fall short of its promise.

Hope Air fulfils its mandate by arranging travel to specialized and vital care across Canada primarily through flights. Hope Air also provides residents of Prince Edward Island with Confederation Bridge and ferry passes to reach the mainland for care. Commencing in 2019, Hope Air now offers a national accommodation program which provides free accommodations for patients who are attending medical appointments and are approved for travel under Hope Air’s process. The free travel and accommodations provided by Hope Air to eligible patients is accomplished through the generous support of corporations, foundations, government and individual donors, commercial airlines, third-party organized special events, volunteers and general aviation pilots.

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### 2. Summary of significant accounting policies

#### Basis of presentation

The accounting policies of the Organization are in accordance with Canadian accounting standards for not-for-profit organizations (“ASNPO”). Outlined below are those policies considered particularly significant:

#### 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, restricted donations and government assistance related to current expenditures are reflected in the accounts as a revenue item in the current year. Grants, restricted donations and government assistance 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 after the events have occurred and there is reasonable assurance of collection.



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# Hope Air

## Notes to the Financial Statements

December 31, 2020

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### 2. Summary of significant accounting policies (continued)

#### Donations of products

Commercial airline partners, lodging partners, sponsors and other interested parties donate a substantial value of products to the Organization. The Organization records the fair value of these donated products, determined based on arm's length market values, as revenues and an equivalent amount of expense when the products are used by the Organization as such product would normally have otherwise been incurred as operating expenses. Additional details have been disclosed in Note 9 of the financial statements.

In addition to the donation of products, volunteers contribute substantial time throughout the year to the Organization. Due to the difficulty in determining the fair value of such donated time, no amounts have been recorded in the financial statements.

#### Financial instruments

##### *Measurement*

The Organization initially measures its financial assets and liabilities at fair value.

The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost, except for short-term investments, which are subsequently measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets and liabilities measured at amortized cost include accounts receivable, sales tax recoverable and accounts payable. Financial assets measured at fair value include cash and short-term investments.

##### *Impairment*

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations. There were no impairment losses recognized in the year.

#### Investments

Pooled fund investments are valued at the unit values supplied by the investment administrators. These values represent the organization's proportionate share of the underlying net assets at fair values determined using closing market rates. Realized and unrealized gains and losses are recognized as investment income when they arise. Related transaction costs are expensed as incurred.

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# Hope Air

## Notes to the Financial Statements

December 31, 2020

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### 2. Summary of significant accounting policies (continued)

#### Capital assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized using the straight-line method over their estimated useful life:

Office furniture and fixtures	5 years
Computer equipment	5 years

#### 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.

#### Use of estimates

Management reviews the carrying amounts of items in the financial statements at each year end date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically and adjustments are made to excess of funding over expenses as appropriate in the year they become known.

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### 3. 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.

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### 4. Short-term investments

The short-term investments consist of cashable guaranteed investment certificates (GICs) and mutual funds held at a major Canadian chartered bank. GICs earn interest of 1.75% - 2.02% and mature during 2021. One certificate is held as security for the Organization's credit card transactions (see Note 3).

	<u>Market value</u> <u>2020</u>	<u>Book value</u> <u>2020</u>	<u>Market value</u> <u>2019</u>	<u>Book value</u> <u>2019</u>
GICs	\$ 2,900,000	\$ 2,900,000	\$ 900,000	\$ 900,000
Mutual funds	<u>1,428,154</u>	<u>1,240,000</u>	<u>1,326,418</u>	<u>1,240,000</u>
	<u>\$ 4,328,154</u>	<u>\$ 4,140,000</u>	<u>\$ 2,226,418</u>	<u>\$ 2,140,000</u>

# Hope Air

## Notes to the Financial Statements

December 31, 2020

### 5. Prepaid expenses

Prepaid expenses are recorded for products 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:

	<u>2020</u>	<u>2019</u>
Flights purchased to be flown in the following year	\$ 24,633	\$ 25,204
Prepaid rent and insurance	<u>8,014</u>	<u>15,830</u>
	<u>\$ 32,647</u>	<u>\$ 41,034</u>

### 6. Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net</u>	<u>2019 Net</u>
Furniture and fixtures	\$ 42,397	\$ 38,399	\$ 3,998	\$ 5,995
Computer equipment	<u>21,789</u>	<u>11,192</u>	<u>10,597</u>	<u>1,314</u>
	<u>\$ 64,186</u>	<u>\$ 49,591</u>	<u>\$ 14,595</u>	<u>\$ 7,309</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:

	<u>2020</u>	<u>2019</u>
Specific flight regions or client demographics	\$ 2,963,688	\$ 897,884
Other restricted programs	<u>108,199</u>	<u>55,000</u>
	<u>\$ 3,071,887</u>	<u>\$ 952,884</u>

Continuity of deferred revenue for the year is as follows:

	<u>2020</u>	<u>2019</u>
Deferred revenue, beginning of year	\$ 952,884	\$ 915,242
Add funds received in year	3,958,807	2,893,030
Less funds recognized in revenue	<u>(1,839,804)</u>	<u>(2,855,388)</u>
Deferred revenue, end of year	<u>\$ 3,071,887</u>	<u>\$ 952,884</u>

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# Hope Air

## Notes to the Financial Statements

December 31, 2020

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### 8. 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:

2021	\$ <u>88,224</u>
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### 9. Donations-in-kind

In fiscal 2020, donations-in-kind amounted to \$475,684 (2019 - \$1,139,904).

These donated products are detailed below and included in revenues and expenses as follows:

- i) Donated flights by commercial airlines for use in patient travel are recorded in Restricted donations and grants revenues and in Program expenses
- ii) Donated accommodations for patient use are recorded in Restricted donations and grants revenues and in Program expenses
- iii) Donated air travel costs by volunteer pilots which enable patient travel are recorded in Restricted donations and grants revenue and in Program expenses
- iv) Donated expenses incurred by board directors or staff and donated back to the Organization are for general funding purposes. Such amounts are recorded in Unrestricted donations and grants revenue and in General expenses incurred

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### 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.

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# Hope Air

## Notes to the Financial Statements

December 31, 2020

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### 11. Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the organization's risk exposures and concentrations at December 31, 2020. There were no significant changes in exposure from the prior year.

#### Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices of securities held. The Organization is exposed to price risk through its investments quoted in active markets.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to interest rate risk as its financial instruments are fixed rate guaranteed investment certificates that are held to maturity and are carried at amortized cost.

#### Liquidity risk

Liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is exposed to this risk mainly in respect of accounts payable. The Organization expects to meet these obligations as they come due by generating sufficient cash flows from its operating activities.

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### 12. Impacts of COVID-19

The outbreak of a novel strain of coronavirus ("COVID-19") was declared a global pandemic by the World Health Organization in March 2020. COVID-19 has severely impacted many economies around the globe. In many countries, including Canada, businesses were forced to cease or limit operations for long periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Organization has limited COVID-19 impacts due to strong fundraising results from restricted contributions, pivoting approaches in delivering programs and managing expenses. The Organization has received \$323,745 from the Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy. The Organization is moving forward with its strategies.