



Financial Statements

Hope Air

December 31, 2023

Hope Air

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Independent Auditor's Report

Grant Thornton LLP
Suite 501
201 City Centre Drive
Mississauga, ON
L5B 2T4
T +1 416 366 0100
F +1 905 804 0509

To the Members of
Hope Air

Opinion

We have audited the financial statements of Hope Air, which comprise the statement of financial position as at December 31, 2023, and the statements of operations, 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, the accompanying financial statements present fairly, in all material respects, the financial position of Hope Air as at December 31, 2023 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 Opinion

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 audit 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.

Mississauga, Canada
April 29, 2024

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

Chartered Professional Accountants
Licensed Public Accountants

Hope Air

Statement of Financial Position

December 31

2023

2022

Assets

Current

Cash and cash equivalents (Note 3)	\$ 1,743,774	\$ 1,509,040
Short-term investments (Note 4)	11,671,789	4,231,959
Accounts receivable	449,975	40,475
Sales tax recoverable	198,346	102,729
Prepaid expenses (Note 5)	<u>73,751</u>	<u>72,627</u>
	14,137,635	5,956,830

Capital assets (Note 6)

21,36119,939**\$ 14,158,996****\$ 5,976,769**

Liabilities

Current

Accounts payable and accrued liabilities	\$ 195,864	\$ 119,422
Deferred revenue (Note 7)	<u>11,063,179</u>	<u>2,801,368</u>
	<u>11,259,043</u>	<u>2,920,790</u>

Net Assets

Founders' Fund	9,231	9,231
Internally restricted operating reserve	1,000,000	1,000,000
Unrestricted	<u>1,890,722</u>	<u>2,046,748</u>
	<u>2,899,953</u>	<u>3,055,979</u>
	<u>\$ 14,158,996</u>	<u>\$ 5,976,769</u>

On behalf of the Board

DocuSigned by:

Auriel Marasco

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Director

DocuSigned by:

Vanessa Thomas

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Director

See accompanying notes to the financial statements.

Hope Air

Statement of Operations

Year Ended December 31

2023

2022

Revenue

Restricted donations and grants (Note 9)	\$ 6,394,871	\$ 3,869,364
Unrestricted donations and grants (Note 9)	1,773,273	1,625,851
Interest and other	442,189	19,480
Unrealized gain/(loss) on investments	98,146	(140,684)
Government assistance	-	8,779
	<u>8,708,479</u>	<u>5,382,790</u>

Expenses (Note 8)

Programs	7,132,003	3,825,447
Fundraising	1,062,651	789,483
Administration and general	669,851	508,600
	<u>8,864,505</u>	<u>5,123,530</u>

(Deficiency) excess of revenue over expenses	<u>\$ (156,026)</u>	<u>\$ 259,260</u>
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See accompanying notes to the financial statements.

Hope Air

Statement of Changes in Net Assets

Year Ended December 31

	Founders Fund	Internally restricted operating reserve	Unrestricted	Total 2023	Total 2022
Net assets, beginning of year	\$ 9,231	\$ 1,000,000	\$ 2,046,748	\$ 3,055,979	\$ 2,796,719
(Deficiency) excess of revenue over expenses	-	-	(156,026)	(156,026)	259,260
Net assets, end of year	<u>\$ 9,231</u>	<u>\$ 1,000,000</u>	<u>\$ 1,890,722</u>	<u>\$ 2,899,953</u>	<u>\$ 3,055,979</u>

See accompanying notes to the financial statements.

Hope Air

Statement of Cash Flows

Year Ended December 31

2023

2022

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenues over expenses	\$ (156,026)	\$ 259,260
Amortization	8,498	9,436
Unrealized (gain) loss on investments	<u>(98,146)</u>	<u>140,684</u>
	(245,674)	409,380
Change in non-cash working capital balances		
Accounts receivable	(409,500)	18,208
Sales tax recoverable	(95,617)	(36,310)
Prepaid expenses	(1,124)	(23,811)
Accounts payable and accrued liabilities	76,442	(37,979)
Deferred revenue	<u>8,261,811</u>	<u>(707,138)</u>
	<u>7,586,338</u>	<u>(377,650)</u>

Investing

Purchase of capital assets	<u>(9,920)</u>	<u>(6,850)</u>
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Financing

Net change in short-term investments	<u>(7,341,684)</u>	<u>8,471</u>
Change in cash and cash equivalents	234,734	(376,029)
Cash and cash equivalents, beginning of year	<u>1,509,040</u>	<u>1,885,069</u>
Cash and cash equivalents, end of year	<u>\$ 1,743,774</u>	<u>\$ 1,509,040</u>

See accompanying notes to the financial statements.

Hope Air

Notes to the Financial Statements

December 31, 2023

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 services for Canadians in financial need who must access medical care far from home. Since its inception in 1986, Hope Air has provided more than 200,000 travel arrangements for patients across Canada. For people living on a low income in small and rural communities, distance and cost are very real barriers to accessing 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 medical appointments across Canada through airline flights and other programs. Hope Air also provides residents of Prince Edward Island with Confederation Bridge, ferry passes and gas vouchers, to assist patients in reaching the mainland for care. Hope Air provides accommodation, ground transportation and meal support programs, for patients who are attending medical appointments and are approved for travel under Hope Air's eligibility guidelines. The programs provided by Hope Air to eligible patients are funded through the generous support of corporations, foundations, government and individual donors, commercial airlines, third-party organized events, volunteers and general aviation pilots.

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 expenses 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.
- ii) Investment and interest 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.

Hope Air

Notes to the Financial Statements

December 31, 2023

2. Summary of significant accounting policies (continued)

Donations-in-kind

Commercial airline partners 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 10 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.

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.

Hope Air

Notes to the Financial Statements

December 31, 2023

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

Net assets

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.

Internally restricted operating reserve

The internally restricted operating reserve fund was created by the Board of Directors in fiscal 2021. The purpose of the reserve fund is to ensure the stability of the Organization's mission and ongoing operations by providing an internal source of funds in the case the Organization experiences temporary cash flow interruptions in the future due to unforeseen events. A minimum operating reserve fund must be established in an amount equal to six months of the average operating costs, which does not include travel purchases.

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.

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.

Hope Air

Notes to the Financial Statements

December 31, 2023

4. Short-term investments

Short-term investments consist of cashable guaranteed investment certificates (GICs) and mutual funds held at a major Canadian chartered bank. GICs earn interest of 4.70% - 4.95% (2022 - 0.15% - 0.45%) and mature during 2024. One certificate is held as security for the Organization's credit card transactions (see Note 3).

	<u>Market value</u> <u>2023</u>	<u>Book value</u> <u>2023</u>	<u>Market value</u> <u>2022</u>	<u>Book value</u> <u>2022</u>
GICs	\$ 10,250,000	\$ 10,250,000	\$ 2,900,000	\$ 2,900,000
Mutual funds	<u>1,421,763</u>	<u>1,240,000</u>	<u>1,331,959</u>	<u>1,240,000</u>
	<u>\$ 11,671,789</u>	<u>\$ 11,490,000</u>	<u>\$ 4,231,959</u>	<u>\$ 4,140,000</u>

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. Prepaid expenses are comprised of the following:

	<u>2023</u>	<u>2022</u>
Flights purchased for the following year	\$ 14,776	\$ 57,609
Prepaid rent and insurance	<u>58,975</u>	<u>15,018</u>
	<u>\$ 73,751</u>	<u>\$ 72,627</u>

6. Capital assets

	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>2023</u> <u>Net</u>	<u>2022</u> <u>Net</u>
Furniture and fixtures	\$ 47,496	\$ 43,496	\$ 4,400	\$ -
Computer equipment	<u>49,056</u>	<u>32,095</u>	<u>16,961</u>	<u>19,939</u>
	<u>\$ 96,952</u>	<u>\$ 75,591</u>	<u>\$ 21,361</u>	<u>19,939</u>

Hope Air

Notes to the Financial Statements

December 31, 2023

7. Deferred revenue

Deferred revenue represents unspent donations and grants, externally restricted for projects and operating funding, received in the prior and current years that are related to future activities. Deferred revenue is recognized as operating revenue at the time the related expense is recognized in the statement of operations and changes in net assets. Deferred revenue is comprised of the following:

	<u>2023</u>	<u>2022</u>
Specific geographic regions, patient medical conditions or patient demographics	\$ 11,038,966	\$ 2,732,679
Other restricted programs	<u>24,213</u>	<u>68,689</u>
	<u>\$ 11,063,179</u>	<u>\$ 2,801,368</u>

Continuity of deferred revenue for the year is as follows:

	<u>2023</u>	<u>2022</u>
Deferred revenue, beginning of year	\$ 2,801,368	\$ 3,508,506
Add funds received in year	13,487,058	2,501,362
Less funds recognized in revenue	<u>(5,225,247)</u>	<u>(3,208,500)</u>
Deferred revenue, end of year	<u>\$ 11,063,179</u>	<u>2,801,368</u>

Included in deferred revenue is \$9,403,190 (2022 - \$1,083,895) received related to government grants.

8. Expenses

	<u>2023</u>	<u>2022</u>
Program expenses (Note 10)	\$ 6,287,015	\$ 3,019,395
Salaries and benefits	1,805,088	1,436,465
Public awareness	436,129	438,281
Administration and general (Note 10)	163,291	121,085
Professional fees	90,209	23,862
Information technology	37,252	34,703
Rent	37,023	40,303
Amortization	<u>8,498</u>	<u>9,436</u>
	<u>\$ 8,864,505</u>	<u>\$ 5,123,530</u>

The Organization classifies its functional activities between its program-related activities, fundraising activities and general administration. The costs of each activity include the direct costs associated with those activities, such as personnel and other direct expenses. In addition, the Organization incurs several common or shared operating expenses in connection with these activities, such as occupancy costs, administration and other indirect costs. Where shared or indirect costs relate to more than one activity, the Organization allocates these costs among all relevant activities based on analysis of the level of staff activity and support by function.

Hope Air

Notes to the Financial Statements

December 31, 2023

9. Revenue

	<u>2023</u>	<u>2022</u>
Restricted and unrestricted donations		
Corporation	\$ 1,954,886	\$ 1,399,861
Individual	<u>876,544</u>	<u>627,095</u>
	<u>2,831,430</u>	<u>2,026,956</u>
Restricted and unrestricted grants		
Foundation	1,343,884	1,791,837
Government	<u>3,992,830</u>	<u>1,676,422</u>
	<u>5,336,714</u>	<u>3,468,259</u>
	<u>\$ 8,168,144</u>	<u>\$ 5,495,215</u>

10. Donations-in-kind

In fiscal 2023, donations-in-kind amounted to \$1,091,820 (2022 - \$601,390).

Donations-in-kind 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 and in program expenses.
- ii) Donated air travel costs by volunteer pilots which enable patient travel are recorded in restricted donations and grants and in program expenses.
- iii) 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 and in general expenses and are insignificant in amount.

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.

Hope Air

Notes to the Financial Statements

December 31, 2023

12. 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, 2023. 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.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.