

**HOSPICE PRINCE EDWARD
AMENDED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

**HOSPICE PRINCE EDWARD
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MARCH 31, 2013 AND 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Members of Hospice Prince Edward

Report on the Amended Financial Statements

I have audited the accompanying amended financial statements of Hospice Prince Edward, which comprise the amended statement of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the amended statements of operations, amended statements of changes in fund balances and amended statement of cash flows for the years ended March 31, 2013 and March 31, 2012, and an amended 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 amended 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 amended financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these amended financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the amended financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the amended financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the amended 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 amended 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 amended financial statements.

I believe that the audit evidence I have obtained in my audit is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Hospice Prince Edward derives revenue from donations and fundraisers, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to revenue, net revenue (expenditures), assets and fund balances.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the amended financial statements present fairly, in all material respects, the financial position of Hospice Prince Edward as at March 31, 2013, March 31, 2012 and April 1, 2011; and its financial performance and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.



Picton, Ontario
May 29, 2014

CHARTERED ACCOUNTANT
LICENSED PUBLIC ACCOUNTANT

**HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF FINANCIAL POSITION
AS AT MARCH 31, 2013 AND 2012**

<u>ASSETS</u>	Mar 31, 2013 \$	Mar 31, 2012 \$	Apr 1, 2011 \$
CURRENT			
Cash and investments	194,375	211,424	121,883
Cash restricted for recoveries			
Due from MOHLTC - CAPS implementation	6,200	15,400	-
Sales tax rebate receivable	12,039	4,714	2,139
Prepaid expenditures	5,112	4,821	1,719
	<u>217,726</u>	<u>236,359</u>	<u>125,741</u>
TANGIBLE CAPITAL ASSETS (note 4)			
Cost	411,779	-	-
Accumulated Amortization	(8,621)	-	-
	<u>403,158</u>	<u>-</u>	<u>-</u>
	<u>620,884</u>	<u>236,359</u>	<u>125,741</u>
<u>LIABILITIES</u>			
CURRENT			
Accounts payable and accrued liabilities	60,923	6,949	6,052
Remittances payable	8,659	8,225	6,727
Due to Ministry (note 5)	10,536	10,535	2,460
Deferred revenue (note 6)	1,544	22,446	-
	<u>81,662</u>	<u>48,155</u>	<u>15,239</u>
<u>NET ASSETS</u>			
FUND BALANCES - END OF YEAR:			
Unrestricted			
General Fund	90,944	83,175	85,502
Internally restricted			
Residential Hospice Fund	448,278	105,029	25,000
Externally restricted			
South East Local Health			
Integration Network (SE LHIN)			
- Volunteer Visiting Program Fund	-	-	-
- Special Programs Fund	-	-	-
Other Funding Programs	-	-	-
	<u>539,222</u>	<u>188,204</u>	<u>110,502</u>
	<u>620,884</u>	<u>236,359</u>	<u>125,741</u>

The accompanying notes form an
integral part of these financial statements

**HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF CHANGES IN FUND BALANCES
ALL FUNDS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

	2013	2012
	\$	\$
GENERAL FUND BALANCE - BEGINNING OF YEAR	83,175	85,502
ADD:		
EXCESS REVENUE OVER EXPENDITURES	65,527	51,491
DEDUCT:		
Fundraising contribution to the:		
SE LHIN Volunteer Visiting Program Fund	(48,969)	(53,818)
SE LHIN Special Programs Fund	(3,330)	-
Other Funding Programs Fund	(5,459)	-
	<u>(57,758)</u>	<u>(53,818)</u>
GENERAL FUND BALANCE - END OF YEAR	<u>90,944</u>	<u>83,175</u>
<hr/>		
RESIDENTIAL HOSPICE FUND BALANCE - BEGINNING OF YEAR	105,029	25,000
ADD:		
EXCESS REVENUE OVER EXPENDITURES	349,581	80,029
DEDUCT:		
Fundraising contribution from the:		
Fundraising contribution to the Volunteer Visiting Fund	(6,332)	-
	<u>(6,332)</u>	<u>-</u>
RESIDENTIAL HOSPICE FUND BALANCE - END OF YEAR	<u>448,278</u>	<u>105,029</u>
<hr/>		
VOLUNTEER VISITING PROGRAM FUND BALANCE - BEGINNING OF YEAR	-	-
DEDUCT:		
EXCESS EXPENDITURES OVER REVENUE	(55,301)	(53,818)
ADD:		
Fundraising contribution from the:		
Fundraising contribution from the General Fund	48,969	53,818
Fundraising contribution from the Residential Fund	6,332	-
	<u>55,301</u>	<u>53,818</u>
VOLUNTEER VISITING PROGRAM FUND BALANCE - END OF YEAR	<u>-</u>	<u>-</u>

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HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF CHANGES IN FUND BALANCES
ALL FUNDS (continued)
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	2013	2012
	\$	\$
SPECIAL PROGRAMS FUND BALANCE - BEGINNING OF YEAR	-	-
DEDUCT:		
EXCESS EXPENDITURES OVER REVENUE	(3,330)	-
ADD:		
Transfers to assist with program shortfall:		
Transfer from General Fund to assist with BOIP and promo material	2,330	-
Transfer from General Fund to assist with Grief Support	1,000	-
	3,330	-
SPECIAL PROGRAMS FUND BALANCE - END OF YEAR	-	-
<hr/>		
OTHER FUNDING PROGRAMS FUND BALANCE - BEGINNING OF YEAR	-	-
DEDUCT:		
EXCESS EXPENDITURES OVER REVENUE	(5,459)	-
ADD:		
Transfers to assist with program shortfall:		
Transfer from General Fund to assist with OTFG project	459	-
Transfer from General Fund to assist with HCF project	5,000	-
	5,459	-
OTHER FUNDING PROGRAMS FUND BALANCE - END OF YEAR	-	-

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HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF OPERATIONS
GENERAL FUND
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	2013	2012
	\$	\$
REVENUE		
Donations	77,979	37,312
Donations in-kind	6,000	6,000
Fundraising	8,417	12,270
Interest and miscellaneous	1,567	1,408
	<u>93,963</u>	<u>56,990</u>
EXPENDITURES		
Wages and benefits	25,811	-
Fundraising contribution to Other Programs Fund	-	955
Fundraising expense	2,625	4,544
	<u>28,436</u>	<u>5,499</u>
EXCESS REVENUE OVER EXPENDITURES	<u><u>65,527</u></u>	<u><u>51,491</u></u>

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integral part of these financial statements

HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF OPERATIONS
RESIDENTIAL HOSPICE FUND
FOR THE YEARS ENDING MARCH 31, 2013 AND 2012

	2013	2012
	\$	\$
REVENUES		
Donations	205,905	82,035
Fundraising	184,964	-
	<u>390,869</u>	<u>82,035</u>
EXPENDITURES		
Administration expenditures	2,415	2,006
Fundraising expense	27,506	-
Professional fees	5,644	-
Wages and benefits	5,723	-
	<u>41,288</u>	<u>2,006</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>349,581</u>	<u>80,029</u>

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HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF OPERATIONS
SOUTH EAST LOCAL HEALTH INTEGRATION NETWORK (SE LHIN)
VOLUNTEER VISITING PROGRAM FUND
FOR THE YEARS ENDING MARCH 31, 2013 AND 2012

	2013	2012
	\$	\$
REVENUE		
SE LHIN		
- Volunteer Visiting	61,498	61,498
	<u>61,498</u>	<u>61,498</u>
EXPENDITURES		
Bank charges and interest	347	554
Insurance	2,393	2,612
Office, printing and postage	4,617	5,356
Professional fees	12,480	12,150
Program materials	2,100	1,013
Rent	6,000	6,000
Travel	5,740	6,091
Volunteer training & materials	6,155	6,174
Wages and benefits	76,967	75,366
	<u>116,799</u>	<u>115,316</u>
EXCESS OF EXPENDITURES OVER REVENUE FOR THE YEAR	<u>(55,301)</u>	<u>(53,818)</u>

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HOSPICE PRINCE EDWARD
 AMENDED STATEMENTS OF OPERATIONS
 SOUTH EAST LOCAL HEALTH INTEGRATION NETWORK (SE LHIN)
 SPECIAL PROGRAMS FUND
 FOR THE YEARS ENDED MARCH 31, 2013 AND 2012

	2013	2012
	\$	\$
REVENUE		
SE LHIN		
-Approved Reallocation (one time)		
<i>2011/12 Contracts</i>		
BOIP, Training & Development, Promotional Material	-	10,478
Grief Support and Promotional Videos	-	7,359
	<u>-</u>	<u>17,837</u>
<i>2012/13 Contracts</i>		
Video transcript of Promotional Video, Palliative Lift		
Chair, Cabinets	13,340	-
	<u>13,340</u>	<u>-</u>
Total Special Programs Fund Revenues from SE LHIN	<u>13,340</u>	<u>17,837</u>
EXPENDITURES		
SE LHIN		
-Approved Reallocation (one time)		
BOIP, Training & Development, Promotional Material	2,330	10,478
Grief Support and Promotional Videos	1,000	7,359
	<u>3,330</u>	<u>17,837</u>
Video transcript of Promotional Video, Palliative Lift		
Chair, Cabinets	9,469	-
- Tangible capital asset purchases	3,871	-
	<u>13,340</u>	<u>-</u>
	<u>16,670</u>	<u>17,837</u>
EXCESS REVENUE OVER EXPENDITURES		
(EXPENDITURES OVER REVENUE)	<u>(3,330)</u>	<u>-</u>

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**HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF OPERATIONS
OTHER FUNDING PROGRAMS
FOR THE YEAR ENDING MARCH 31, 2013 AND 2012**

	2013	2012
	\$	\$
REVENUES		
Ontario Trillium Foundation Grant ("OTFG")	13,406	51,494
Prince Edward County Community Foundation	2,287	115
Healing Cycle Foundation ("HCF")	6,829	-
Ministry of Health and Long Term Care		
- Community Support Services Common Assessment Project ("CSS CAPS")	5,659	5,523
	<u>28,181</u>	<u>57,132</u>
EXPENDITURES		
Ontario Trillium Foundation		
Office & Communication	2,974	7,462
Volunteer Training & Travel	4,222	825
Staffing	6,669	43,207
	<u>13,865</u>	<u>51,494</u>
Prince Edward County Community Foundation	2,287	115
Healing Cycle Foundation	11,829	
Ministry of Health and Long Term Care - CSS CAPS		
- General expenditures	909	5,523
- Tangible capital assets purchases	4,750	-
	<u>5,659</u>	<u>5,523</u>
	<u>33,640</u>	<u>57,132</u>
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE FUNDRAISING CONTRIBUTION AND TRANSFER TO GENERAL FUND	<u>(5,459)</u>	<u>-</u>

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**HOSPICE PRINCE EDWARD
AMENDED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

	2013 \$	2012 \$
CASH PROVIDED FROM (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) revenues over expenditures -		
General Fund	65,527	51,491
Volunteer Visiting Program Fund	(55,301)	(53,818)
SE LHIN Special Programs Fund	(3,330)	-
Other Funding Programs	(5,459)	-
Residential Hospice Fund	349,581	80,029
	<u>351,018</u>	<u>77,702</u>
 Non-cash items:		
Amortization of tangible capital assets	8,621	
 Changes in non-cash working capital components:		
Accounts receivable	1,875	(17,975)
Accounts payable	54,408	2,395
Prepays	(291)	(3,102)
Due to Ministry (note 5)	1	8,075
Deferred revenue	(20,902)	22,446
	<u>394,730</u>	<u>89,541</u>
NET CASH FROM (USED BY) OPERATING ACTIVITIES		
INVESTING ACTIVITIES		
Purchase of tangible capital assets	(411,779)	-
	<u>(411,779)</u>	<u>-</u>
NET CASH FROM (USED BY) INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	(17,049)	89,541
CASH - BEGINNING OF YEAR	<u>211,424</u>	<u>121,883</u>
CASH - END OF YEAR	<u><u>194,375</u></u>	<u><u>211,424</u></u>
 Cash consists of:		
Unrestricted		
- Cash	194,375	13,934
- Term deposits	-	92,461
	<u>194,375</u>	<u>106,395</u>
Restricted		
- Term deposits	-	105,029
	<u>194,375</u>	<u>211,424</u>

The accompanying notes form an
integral part of these financial statements

**HOSPICE PRINCE EDWARD
NOTES TO AMENDED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31, 2013 AND 2012**

1. PURPOSE OF THE ORGANIZATION

Hospice Prince Edward ("Hospice") was incorporated on March 16, 1990 without share capital under the laws of Ontario, its activities to be carried out without the purpose of gain for its members. Hospice is a non-profit, volunteer based organization.

The Hospice is a registered charity under section 149(1) of the Canada Income Tax Act and therefore, is exempt from income taxes, and is eligible to issue official income tax receipts for charitable activities.

The Hospice's mandate is to provide palliative and bereavement support to families and individuals of all ages in Prince Edward County who are facing life limiting illness.

2. ADOPTION OF CANADIAN ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFP").

These are Hospice's first set of financial statements prepared in accordance with ASNFP. Hospice presented financial statements under its previous Canadian generally accepted accounting principles ("CGAAP") annually to March 31st of each fiscal year up to, and including March 31, 2012.

As these financial statements are the first financial statements for which Hospice has applied ASNFP, the financial statements have been prepared in accordance with the previous provisions set out in Section 1501 of ASNFP, First-time adoption by Not-for-Profit Organizations. Accordingly, Hospice has applied ASNFP retroactively to all comparative financial statements presented.

Section 1501 provides organizations with certain elective exemptions with respect to the retrospective application of ASNFP. Hospice did not apply any optional exemptions. Therefore, the adoption of ASNFP had no impact on the previously reported assets, liabilities, revenues, expenditures and net assets of Hospice, and accordingly, no adjustments have been recorded in the comparative statement of financial position, statement of operations and changes in net assets and cashflow statement. The adoption of ASNFP is applied retrospectively to April 1, 2011 and accordingly, the statement of financial position for April 1, 2011 is presented.

Certain disclosures have been added to the financial statements to comply with the new ASNFP disclosure requirements.

HOSPICE PRINCE EDWARD
NOTES TO AMENDED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013 AND 2012

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Basis of amendment:

The Hospice receives funding under agreements that define how and when the funds must be used. Unutilized funds, at the funders discretion, may require a future repayment or result in decreased cash flow in future funding agreements. The Hospice previously recognized a liability to return unused funding in the period that recovery took place. The Hospice has changed their policy to record the liability for anticipated recovery at the expiration of the contract when it becomes due. These statements are presented to reflect this policy change. Refer to note 9.

The following policies are significant to Hospice:

a) **FUND ACCOUNTING:**

Fund accounting involves accounting segregation, although not necessarily a physical segregation of resources. The organization maintains the following funds:

- i. The General Fund consists of donations, bequests, and additional fundraising revenues that may be spent at the discretion of the organization for expenses not funded by other funds.
- ii. The South East Local Health Integration Network (SE LHIN) Volunteer Visiting Fund is used to provide core agency services to assist individuals and their families facing life-limiting illness. These services are provided under agreement with the SE LHIN.
- iii. The South East Local Health Integration Network (SE LHIN) Special Programs Fund is comprised of specific program grants and is provided through agreements with the SE LHIN. Expenditures are externally restricted as specified by funding agreements.
- iv. The Other Funding Program is comprised of specific grants from various levels of government, other than the SE LHIN and private foundations. Expenditures are externally restricted as specified by funding agreements.
- v. The Residential Hospice Fund is a fund set aside to receive contributions to fund the establishment of a self contained residential hospice. This fund has been internally restricted for this specific use by the Board of Directors.

Net assets may be internally or externally restricted. External restrictions are imposed from outside the organization. Internal restrictions are imposed in a formal manner by the Organization, usually by resolution of the board of directors.

HOSPICE PRINCE EDWARD
NOTES TO AMENDED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013 AND 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) REVENUE RECOGNITION:

- i. Contributions are recognized as revenue in the related fund when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.
- ii. Deferred revenue is program funding received which relates to future years' operations and which will be recognized as revenues in the year in which the related program expenditures are incurred.

c) MINISTRY TRANSFERS

Approved ministry transfers for the over or under payment of grants are recorded upon completion or maturity of the funding contract and presented separately from other liabilities within these statements as amounts Due to Ministry (see notes 5 and 9).

d) EXPENDITURE ALLOCATIONS

Expenditures are allocated entirely to specific programs and funds when circumstances are such that the expense is fully attributable to the approved expenditure within that funding budget. In all other circumstances, management applies a ratio to the expense based on the nature of the expenses and a rationale that considers the value of the expense to a specific fund.

e) PLEDGES

Pledges are not recognized as revenue until received.

f) DONATED SUPPLIES

Donated supplies are recorded at fair values only if Hospice would normally have purchased the supplies.

g) DONATED SERVICES

Hospice Prince Edward receives services donated by citizens interested in the organization's program. The kinds of services provided generally involve the contribution of time. Because of the difficulty in assigning values for such services, these items are not reflected in the financial statements.

h) TANGIBLE CAPITAL ASSETS AND AMORTIZATION

Hospice records capital expenditures with externally restricted funds initially at cost and records full (100%) amortization in the year of purchase. Amortization is allocated by management to the appropriate contract or program to which the expenditures relates.

Expenditures on tangible capital assets for the Residential Hospice Fund are recorded at acquisition cost and amortized based on estimated useful life when renovations are completed. Amortization of the building is based on a 25 year useful life.

HOSPICE PRINCE EDWARD
NOTES TO AMENDED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013 AND 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) **MEASUREMENT UNCERTAINTY:**

The preparation of financial statements requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statement in future periods could be significant.

These estimates are based on management's best knowledge of current events and actions that Hospice may undertake in the future.

Significant items subject to such estimates and assumptions include valuation of accounts receivable, prepaid expenses, accounts payable and accrued liabilities. Actual results could differ from those estimates.

Differences in actual results from prior estimates are taken into account at the time the differences are determined.

j) **FINANCIAL INSTRUMENTS:**

Hospice initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost.

The financial assets subsequently measured at amortized cost include cash, short term investments and accounts receivable. The financial liabilities measured at amortized cost include the accounts payable, deposits, and deferred revenues.

4. TANGIBLE CAPITAL ASSETS

Tangible Capital Asset balances are comprised of the following

	2013		2012	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Land	115,000	-	-	-
Building	227,728	-	-	-
Construction in progress	60,430			
Furniture & Equipment	8,621	8,621	-	-
	<u>411,779</u>	<u>8,621</u>	<u>-</u>	<u>-</u>
Net Book Value		<u>403,158</u>		<u>-</u>

**HOSPICE PRINCE EDWARD
NOTES TO AMENDED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013 AND 2012**

5. DUE TO MINISTRY

Due to Ministry consists of the following:

	<u>2013</u>	<u>2012</u>
	\$	\$
SE LHIN Approved Reallocation (one time)		
BOIP, Training & Development, Promotional Material	5,037	5,037
Grief Support and Promotional Videos	641	641
Video transcript, Palliative life chairs, Cabinets	960	-
2010/11 unspent one-time funding	-	1,180
Ministry of Health and Long Term Care		
- CSS CAP Implementation 2011/12	3,677	3,677
- CSS CAP Implementation 2012/13	221	-
	<u>10,536</u>	<u>10,535</u>

6. DEFERRED REVENUE

Hospice defers funding and grants until the amounts are matched against expenditures in accordance with the accrual basis of accounting and as outlined in their various funding agreements. Deferred revenue is comprised of the following:

Deferred revenue consists of the following:

	<u>2013</u>	<u>2012</u>
	\$	\$
Healing Cycle Foundation	671	-
Ontario Trillium Foundation Grant	-	13,406
Prince Edward County Community Foundation	553	2,840
Ministry of Health and Long Term Care		
- CSS CAP Implementation 2012/13	320	6,200
	<u>1,544</u>	<u>22,446</u>

7. FINANCIAL INSTRUMENTS

Hospice is exposed to various risks through its financial instruments. The following analysis provides a measure of the Corporation's significant risk exposures and concentrations at March 31, 2013.

Liquidity risk

Liquidity risk is the risk that Hospice will not have sufficient cash resources to meet its financial obligations as they come due in the normal course of business. Hospice manages its liquidity risk by monitoring its operating cash flow requirements to ensure financial resources are available.

**HOSPICE PRINCE EDWARD
NOTES TO AMENDED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2013 AND 2012**

7. FINANCIAL INSTRUMENTS - continued

Credit risk

Credit risk is the risk of financial loss to Hospice if a debtor fails to perform its obligations. Hospice is exposed to credit risk in the event of non-performance by those entities in connection with its accounts and other receivables. In order to reduce its credit risk, Hospice performs regular evaluations of its receivables, and relies on the follow through of contractual agreements by its funding agencies.

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. Hospice held none of its cash resources in term deposits as at March 31, 2013 (2012: 93%)

Changes in risk

There have been no changes in the Hospice's exposures to liquidity and credit risk from the prior year. As there were no short term investments at March 31, 2013, Hospice is not currently subject to interest rate risk.

8. ECONOMIC DEPENDENCE

The Volunteer Visiting Program Fund of Hospice Prince Edward is dependent on the SE LHIN for the major portion of its income, and accordingly may be economically dependent for the continuation of its operations on funding from this source.

9. PRIOR YEAR SUBSIDY AMOUNTS RECOVERED

Contractual agreements between Hospice and its funders often contain stipulations as to the use of the funder's contributions, to include allowable expenditures and the timing with which those expenditures must take place.

Any funds not utilized in the period, together with any interest earned on these funds, may, at the funder's discretion, require a future repayment of those unspent funds or result in decreased cash flow in future funding agreement. This liability for funding recoveries is to be recognized when it becomes due, usually at the conclusion of the contract.

10. COMPARATIVE FIGURES

Certain figures within these financial statements have been restated to conform with the current year's presentation.