

FINANCIAL STATEMENTS

For

HOSPICE PALLIATIVE CARE ONTARIO

For year ended

MARCH 31, 2020

HOSPICE PALLIATIVE CARE ONTARIO
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MARCH 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the board of directors of

HOSPICE PALLIATIVE CARE ONTARIO*Qualified Opinion*

We have audited the financial statements of Hospice Palliative Care Ontario (HPCO), which comprise the statement of financial position as at March 31, 2020, 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, 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 HPCO as at March 31, 2020 and the results of its 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 organizations, HPCO derives revenue from fundraising activities and donations, 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 HPCO. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising and donations revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 2019 and 2018 and March 31 for both the 2020 and 2019 years. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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 HPCO in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

Comparative Information

The financial statements of HPCO for the year ended March 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on September 24, 2019. The qualified opinion was based on the measurement and recognition of membership revenues and completeness of fundraising and donations. There was no impact of the qualified opinion over membership revenues on the accompanying financial statements.

As part of our audit of the 2020 financial statements, we also audited the adjustments described in Note 3 that were applied to amend the 2019 financial statements. We were not engaged to audit, review or apply any procedures to the 2019 financial statements of HPCO other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements taken as a whole.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 HPCO'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 HPCO or to cease operations, or has no realistic alternative but to do so.

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

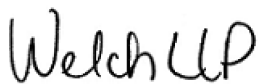
Auditor's Responsibilities for the Audit of the Financial Statements

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 HPCO'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 HPCO'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 HPCO 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.



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
June 25, 2020.

Welch LLP[®]

HOSPICE PALLIATIVE CARE ONTARIO
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

	<u>2020</u>	<u>2019</u> (as restated, note 3)
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 579,750	\$ 686,933
Accounts receivable	60,519	156,325
HST receivable	8,575	-
Prepaid expenses and deposits (note 3 and 4)	<u>121,392</u>	<u>257,893</u>
	770,236	1,101,151
CAPITAL ASSETS (note 5)	<u>15,344</u>	<u>27,822</u>
	<u>\$ 785,580</u>	<u>\$ 1,128,973</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 195,888	\$ 93,503
HST payable	-	32,511
Due to Government of Ontario (note 6)	152,268	403,349
Deferred revenue (note 7)	160,239	359,087
Deferred contributions (note 8)	<u>13,020</u>	<u>109,658</u>
	<u>521,415</u>	<u>998,108</u>
NET ASSETS		
Invested in capital assets	15,344	27,822
Unrestricted (note 3)	<u>248,821</u>	<u>103,043</u>
	<u>264,165</u>	<u>130,865</u>
	<u>\$ 785,580</u>	<u>\$ 1,128,973</u>

Approved on behalf of the Board:

V. Papaiz

..... Director

John Crean

..... Director

(See accompanying notes)

HOSPICE PALLIATIVE CARE ONTARIO

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2020

	HPCO Member Services	Palliative Education and Information Services (note 6)	Total 2020	Total 2019 (as restated, note 3)
Revenue				
Government of Ontario (note 6)	\$ 663,132	\$ 267,975	\$ 931,107	\$ 268,510
Conference and education	441,040	-	441,040	472,180
Membership	251,371	-	251,371	178,686
Foundations	230,730	-	230,730	205,246
Donations	202,728	-	202,728	131,036
Interest and sundry income	100,640	-	100,640	50,087
Nevada ticket sales	69,359	-	69,359	101,786
Merchandise and publication sales	45,679	-	45,679	64,631
	<u>2,004,679</u>	<u>267,975</u>	<u>2,272,654</u>	<u>1,472,162</u>
Expenses				
Salaries and benefits (note 3)	461,005	202,605	663,610	570,715
Office and general (note 3)	440,794	5,954	446,748	179,482
Professional fees and consultants	336,397	39,801	376,198	401,182
Travel, meetings and conference (note 3)	259,048	-	259,048	238,520
One time project costs	244,096	-	244,096	-
Rent and operating costs	80,042	19,830	99,872	104,044
Nevada ticket sales (note 3)	28,683	-	28,683	47,722
Amortization	12,478	-	12,478	4,446
Insurance	4,390	667	5,057	4,891
Nevada profit sharing	3,564	-	3,564	4,677
	<u>1,870,497</u>	<u>268,857</u>	<u>2,139,354</u>	<u>1,555,679</u>
Excess (deficiency) of revenue over expenses before item below	134,182	(882)	133,300	(83,517)
Funded by operations (note 6)	<u>(882)</u>	<u>882</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenses	<u>\$ 133,300</u>	<u>\$ -</u>	<u>\$ 133,300</u>	<u>\$ (83,517)</u>

(See accompanying notes)

HOSPICE PALLIATIVE CARE ONTARIO
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2020

	Invested in Capital <u>Assets</u>	<u>Unrestricted</u> (as restated, note 3)	<u>Total</u> <u>2020</u>	<u>Total</u> <u>2019</u>
Balance, beginning of year	\$ 27,822	\$ 103,043	\$ 130,865	\$ 214,382
Excess (deficiency) of revenue over expenses	<u>(12,478)</u>	<u>145,778</u>	<u>133,300</u>	<u>(83,517)</u>
Balance, end of year	<u>\$ 15,344</u>	<u>\$ 248,821</u>	<u>\$ 264,165</u>	<u>\$ 130,865</u>

(See accompanying notes)

HOSPICE PALLIATIVE CARE ONTARIO

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u> (as restated, note 3)
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 133,300	\$ (83,517)
Add items not requiring a current cash flow:		
Amortization	<u>12,478</u>	<u>4,446</u>
	145,778	(79,071)
Net changes in non-cash working capital components:		
Accounts receivable	95,806	(47,497)
HST receivable	(8,575)	-
Prepaid expenses and deposits (note 3)	136,501	(117,229)
Accounts payable and accrued liabilities	102,385	(249,002)
HST payable	(32,511)	22,094
Due to Government of Ontario	(251,081)	-
Deferred revenue	(198,848)	(15,045)
Deferred contributions	<u>(96,638)</u>	<u>(2,500)</u>
	<u>(107,183)</u>	<u>(488,250)</u>
DECREASE IN CASH	(107,183)	(488,250)
CASH, BEGINNING OF YEAR	<u>686,933</u>	<u>1,175,183</u>
CASH, END OF YEAR	<u>\$ 579,750</u>	<u>\$ 686,933</u>

(See accompanying notes)

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2020

1. NATURE OF OPERATIONS

The objectives of the Hospice Palliative Care Ontario ("HPCO") are to provide a network of expertise, information and communications to support and assist members in their efforts to provide the maximum possible hospice palliative care support in the communities they serve.

HPCO is incorporated under the Canada Corporations Act as a not-for-profit corporation and was issued a certificate of continuance effective June 26, 2014. HPCO is exempt of income tax, is a registered charity under the Income Tax Act and is able to issue charitable donation receipts for income tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

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

Revenue recognition

HPCO follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Conference and education revenues are recognized in the period the event occurs.

Membership revenues are recognized when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Other revenues, which are comprised of interest and sundry income, Nevada ticket sales, and merchandise and publication sales, are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Capital assets

Capital assets are recorded at cost in the year of acquisition and are amortized on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	- 3 years
Furniture and fixtures	- 5 years
Leasehold improvements	- 5 years

No amortization is charged in the year of acquisition.

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Net assets

HPCO's financial statements separately disclose the activities of its unrestricted and restricted funds and segregate their net asset balances as follows:

- i) Invested in capital assets represent HPCO's net investment in property which is comprised of the amount of its capital assets purchased with either restricted or unrestricted funds.
- ii) Unrestricted net assets comprise the remaining excess (deficiency) of revenues over expenses from operations.

Financial instruments

HPCO measures its financial instruments at the financial statement date as follows:

<u>Assets/liabilities</u>	<u>Measurement</u>
Cash	fair value
Accounts receivables	amortized cost
Accounts payable and accrued liabilities	amortized cost

Allocation of management and administrative expenses

Management and administrative expenditures are incurred to operate HPCO in a cost-effective manner while maximizing all opportunities to further HPCO's mission. HPCO allocates certain of its management and administrative costs by identifying the appropriate basis of allocation. The allocation basis may be amended annually to reflect HPCO's priorities and implemented programs and may affect the comparability of financial information.

Contributed services and materials

Due to the difficulty in determining the fair value of contributed services and materials, these financial statements do not reflect the value received from volunteer services or materials donated.

Use of estimates

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, which require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures during the reporting period. Estimates are primarily used in determining the useful lives of capital assets, and certain accruals. Actual results could differ from those estimates.

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

3. RESTATEMENT OF FINANCIAL STATEMENTS

During the year, HPCO determined that certain Online Learning System project costs, previously incurred before launch and recognized as expenses in the prior fiscal year, should have been set up as a prepaid expense. As a result, comparative figures have been restated as follows:

	2019 Previously Reported	Adjustment	2019 Restated
<u>Statement of financial position</u>			
Prepaid expenses and deposits	\$ 149,386	\$ 108,507	\$ 257,893
Unrestricted net assets (deficiency)	(5,464)	108,507	103,043
<u>Statement of operations</u>			
Salaries and benefits	617,017	(48,302)	568,715
Nevada ticket costs	47,848	(126)	47,722
Office and general	227,257	(47,775)	179,482
Travel, meetings and conference	250,824	(12,304)	238,520
Excess (deficiency) of revenue over expenses	(192,024)	108,507	(83,517)
<u>Statement of changes in net assets</u>			
Unrestricted - excess (deficiency) of revenue over expenses	(192,024)	108,507	(83,517)
Unrestricted - balance, end of year	(5,464)	108,507	103,043
<u>Statement of cash flows</u>			
Cash flows from (used in) operating activities	(192,024)	108,507	(83,517)
Prepaid expenses and deposits	(8,722)	(108,507)	(117,229)

4. PREPAID EXPENSES AND DEPOSITS

Prepaid expenses and deposits are comprised as follows:

	<u>2020</u>	<u>2019</u>
Prepaid expenses and deposits	\$ 36,915	\$ 40,569
Online Learning System project costs incurred before launch (note 3)	-	108,507
Conference and facility costs paid in advance	<u>84,477</u>	<u>108,817</u>
	<u>\$ 121,392</u>	<u>\$ 257,893</u>

HPCO's annual conference is scheduled to commence subsequent to each year-end. Accordingly, conference and facility costs incurred in advance will be expensed in the following fiscal year.

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Cost</u>	<u>Accumulated amortization</u>
Computer equipment	\$ -	\$ -	\$ 32,564	\$ 32,564
Furniture and fixtures	12,186	4,874	12,186	2,437
Leasehold improvements	<u>20,081</u>	<u>12,049</u>	<u>20,081</u>	<u>2,008</u>
	32,267	<u>\$ 16,923</u>	64,831	<u>\$ 37,009</u>
Less: accumulated amortization	<u>(16,923)</u>		<u>(37,009)</u>	
	<u>\$ 15,344</u>		<u>\$ 27,822</u>	

6. DUE TO GOVERNMENT OF ONTARIO

In aggregate, the Government of Ontario provided total funding of \$267,976 (2019 - \$268,510) to service the End of Life Information Services ("EOL") and Palliative Care Education ("PCE") programs. Expenditures for the fiscal year exceeded provincial grant funding in the amount of \$882 (2019 - \$5,156). The deficiency is funded internally by HPCO's unrestricted net assets.

Contractual arrangements with the Ministry relative to each service program stipulate that contract year funding grant surplus are recoverable by the Ministry through direct payment or reduction in future annual funding grant contracts and transfer payments.

Due to Government of Ontario is comprised as follows:

	<u>2020</u>	<u>2019</u>
Opening balance	\$ 403,349	\$ 403,349
Plus:		
Received or receivable in year for EOL program (i)	112,550	112,774
Received or receivable in year for PCE program (ii)	155,426	155,736
Received or receivable in year for PCDM (iii)	<u>728,000</u>	<u>-</u>
	<u>995,976</u>	<u>268,510</u>
Less:		
Repayments and reductions in transfer payments (iv)	(315,950)	-
Recognized as revenue	<u>(931,107)</u>	<u>(268,510)</u>
	<u>(1,247,057)</u>	<u>(268,510)</u>
Ending balance	<u>\$ 152,268</u>	<u>\$ 403,349</u>

The year-end balances are made up as follows:

	<u>2020</u>	<u>2019</u>
Caregiver Initiative overpayment	\$ -	\$ 215,000
PCDM repayable (iii)	64,868	-
ACP repayable (iv)	<u>87,400</u>	<u>188,349</u>
	<u>\$ 152,268</u>	<u>\$ 403,349</u>

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

6. DUE TO GOVERNMENT OF ONTARIO - Cont'd.

(i) End of Life Information Services ("EOL")

HPCO is funded by the Government of Ontario, Ministry of Health and Long Term Care ("MOHLTC"), to provide information about and referral to a wide range of hospice palliative care services and resources. These services and resources include hospices, palliative care programs and units, community-based services, pain and symptom management, bereavement support services and palliative care education. The scope of the program is Ontario wide.

During fiscal 2020, MOHLTC provided aggregate funding to the End of Life Information Services ("EOL") in the amount of \$112,550 (2019 - \$112,774).

(ii) Palliative Care Education ("PCE")

This Local Health Integration Network ("LHIN") funded service includes introductory, advanced and enhanced palliative care education to front line health care staff working in the community support sector. The scope of the program is the City of Toronto.

During fiscal 2020, MOHLTC provided aggregate funding towards Palliative Care Education ("PCE") in the amount of \$155,426 (2019 - \$155,736).

(iii) Person Centred Decision Making ("PCDM")

In fiscal 2020, HPCO received \$728,000 from the Government of Ontario to support initiatives related to person-centred decision making. The funds were used to complete and publish an online learning system for patient-centred decision making, to develop and deliver skills-building education for clinicians, workshops on PCDM, a public awareness campaign, and new tools to support PCDM. HPCO recognized \$663,132 in fiscal 2020 and \$64,868 unspent as at March 31, 2020 is repayable.

(iv) Advanced Care Planning (ACP)

The objective of funds employed towards advanced care planning pertain to the research and development of best care practices, the creation of ACP standards, support services and the development of educational resources for health service providers. The agreement expired on March 31, 2018.

Under a funding agreement dated November 1, 2016, the MOHLTC agreed to provide funding in the aggregate of \$700,000. HPCO received \$230,000 in government funding in fiscal 2017, with the remainder of \$470,000 received in fiscal 2018. HPCO recognized the sum of \$129,051 in fiscal 2017 and \$382,600 in fiscal 2018 as government funding revenue.

Contractual arrangements with the Ministry stipulate the repayment of unspent grant funding. Of the total ACP funding received, \$188,349 remained unspent and accordingly are recognized as a liability to the MOHLTC as at March 31, 2019. During fiscal 2020, HPCO's balance owing was reduced by \$100,949 (2019 - \$nil) through repayments and transfer payment reductions.

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

7. DEFERRED REVENUE

Deferred revenue is entirely conference revenue, namely registration fees, sponsorships, exhibitor fees and other revenue, received prior to the fiscal year end for the annual conference scheduled for subsequent to year-end. Accordingly conference revenue received in advance is recognized as revenue in the following fiscal year.

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 359,087	\$ 359,104
Plus: Received or receivable in year	242,192	359,087
Less: Recognized as revenue	<u>(441,040)</u>	<u>(359,104)</u>
Ending balance	<u>\$ 160,239</u>	<u>\$ 359,087</u>

8. DEFERRED CONTRIBUTIONS

Deferred contributions are comprised as follows:

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 109,658	\$ 127,186
Plus: Received or receivable in year	86,500	139,500
Less: Recognized as revenue	<u>(183,138)</u>	<u>(157,028)</u>
Ending balance	<u>\$ 13,020</u>	<u>\$ 109,658</u>

The year-end balances are made up as follows:

	<u>2020</u>	<u>2019</u>
Librach Award fund (i)	\$ 9,800	\$ 12,300
Website Development fund (ii)	3,220	3,220
Saint Elizabeth community funding (iii)	<u>-</u>	<u>94,138</u>
	<u>\$ 13,020</u>	<u>\$ 109,658</u>

(i) The Librach Award fund

The Librach Award fund represents restricted contributions used to fund the Dr. S. Lawrence Librach Award for Palliative Medicine in the community. The funds may be used by HPCO to grant a cash award to a physician selected by the HPCO Awards Committee. In 2020, HPCO granted \$2,500 of cash awards (2019 - \$2,500).

(ii) The Website Development fund

The Website Development fund represents restricted contributions designated for use in developing a web based hospice palliative care services database. The funds may be used for contract staff services, development costs, hosting, design and other similar expenses related to the development of the website.

(iii) Saint Elizabeth community funding

In fiscal 2020, HPCO expended \$94,138 which was the balance of a grant received from Saint Elizabeth Community Foundation in 2019. The grant funded a Hospice Development Program and support fundraising by HPCO.

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

9. CREDIT FACILITIES

HPCO has an unsecured line of credit for \$40,000 which bears interest at the Royal Bank of Canada's prime rate plus 2.4% per annum, repayable on demand. No advances on the credit facility were outstanding as at March 31, 2020 (2019 - \$nil).

HPCO also has a credit card line with a limit of \$14,000.

10. COMMITMENTS

HPCO is obligated under an office premise lease expiring October 31, 2022. No further option to renew or extend the term has been granted by the landlord beyond the expiry date. Minimum annual lease payments, excluding applicable taxes, are determined as follows:

2021	\$ 33,120
2022	33,551
2023	<u>19,924</u>
	<u>\$ 86,595</u>

In the normal course of operations, HPCO enters into contractual and purchase commitments with consulting service providers and suppliers. These amounts are of varying terms and can provide for fixed or variable prices and amounts.

11. FINANCIAL INSTRUMENTS

HPCO is exposed to and manages various financial risks resulting from operations. Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. HPCO's main financial risk exposures and its financial risk management policies are as follows:

Credit risk

Credit risk is the risk of loss resulting from the possibility that parties may default on their financial obligations. HPCO's maximum exposure to credit risk represents the sum of the carrying value of its cash, accounts receivable and HST receivable. HPCO cash is held with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. HPCO manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts. As a result, management believes HPCO's credit risk with respect to accounts receivable is limited.

Liquidity risk

Liquidity risk is the risk that HPCO cannot meet a demand for cash or fund its obligations as they become due. HPCO's financial liabilities are comprised of accounts payable and accrued liabilities, HST payable, and amounts due to Government of Ontario. HPCO manages its liquidity risk by monitoring cash flows and holding assets readily converted into cash. HPCO also has credit facilities available to draw upon should it be required to meet temporary fluctuations in cash requirements. HPCO believes its overall liquidity risk to be minimal as HPCO's financial assets are considered to be highly liquid.

HOSPICE PALLIATIVE CARE ONTARIO
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED MARCH 31, 2020

11. **FINANCIAL INSTRUMENTS - Cont'd.**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

i) *Currency risk*

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. HPCO's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

ii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows associated with financial instruments will fluctuate because of changes in the market interest rates. HPCO's cash is earning interest at prevailing market rates. As a result, management believes that the interest rate exposure related to these financial instruments is negligible.

iii) *Other price risk*

Other price risk is the risk that the fair value or future cash flows associated with financial instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. Management does not believe HPCO is exposed to significant other price risk as it does not hold portfolio investments.

Changes in risk

There have been no significant changes in HPCO's risk exposures from the prior year.

12. **COMPARATIVE FIGURES**

Comparative figures have been reclassified to conform to the presentation adopted in the current fiscal year.