The Dorothy Ley Hospice

Audited Financial Statements

March 31, 2019

Clarkson Rouble LLP
Chartered Professional Accountants

Independent Auditors' Report

To the Board of Directors of
The Dorothy Ley Hospice

Qualified Opinion

We have audited the financial statements of **The Dorothy Ley Hospice** (the Organization), which comprise the statement of financial position as at **March 31, 2019** and **2018**, the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the 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 the Organization as at **March 31, 2019** and **2018**, and its financial performance 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, the Organization derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization. Therefore, we were not able to determine whether any adjustments might be necessary to the donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit 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 the Organization 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 opinion.

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 the Organization'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 the Organization or to cease operations, or has no realistic alternative but to do so.

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

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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 the Organization'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 the Organization'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 the Organization 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.

Clarkson Rouble LLP

Mississauga, Ontario
June 24, 2019

Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

The Dorothy Ley Hospice

(Incorporated as a corporation without share capital under the laws of Ontario)

Statement of Financial Position

As at March 31

	2019 Operating Fund	2019 Dream Fund	2019 Total	2018 Total
Assets				
Current assets				
Cash *(Note 2)*	$ 930,949 $	- $	930,949 $	1,014,784
Short term investments *(Note 2)*	105,742	-	105,742	121,892
Accounts receivable	894	-	894	19,892
HST recoverable	55,737	-	55,737	27,520
Inter fund accounts receivable *(Note 3)*	-	281,635	281,635	257,845
Prepaid expenses	49,058	-	49,058	51,638
	1,142,380	281,635	1,424,015	1,493,571
Capital assets *(Note 5)*	5,057,369	-	5,057,369	5,337,180
	$ 6,199,749 $	281,635 $	6,481,384 $	6,830,751
Liabilities and fund balances				
Current liabilities				
Accounts payable and accruals	$ 67,657 $	- $	67,657 $	122,331
Inter fund accounts payable *(Note 3)*	281,635	-	281,635	257,845
Deferred grant revenue *(Note 6)*	213,191	281,635	494,826	598,619
Deferred contributions *(Note 7)*	96,455	-	96,455	60,068
Current portion of long-term debt *(Note 11)*	880,993	-	880,993	1,296,762
	1,539,931	281,635	1,821,566	2,335,625
Fund balances				
Unrestricted	4,659,818	-	4,659,818	4,495,126
	$ 6,199,749 $	281,635 $	6,481,384 $	6,830,751

The accompanying notes are an integral part of the financial statements.

Approved by **The Dorothy Ley Hospice:**

The Dorothy Ley Hospice

(Incorporated as a corporation without share capital under the laws of Ontario)

Statement of Operations and Changes in Fund Balances

for the year ended **March 31, 2019**

	2019			2018
	Operating Fund	Dream Fund	Total	Total
Revenue				
Provincial government funding	$ 1,999,737 $	- $	1,999,737 $	1,961,599
Contributions	1,243,200	369,972	1,613,172	944,880
Investment income	9,354	-	9,354	6,399
Other grants	66,822	-	66,822	82,017
Miscellaneous revenue	32,356	-	32,356	38,270
	3,351,469	369,972	3,721,441	3,033,165
Expenses				
Program Costs				
Bereavement	146,305	-	146,305	114,861
Direct care co-ordination	305,745	-	305,745	272,183
Education	178,433	-	178,433	180,329
Other grants	58,822	-	58,822	82,017
Residential	1,159,570	-	1,159,570	1,131,139
Spiritual care	74,904	-	74,904	59,390
Visiting hospice	73,701	-	73,701	40,393
Support services & training	33,357	-	33,357	-
Day program	22,204	-	22,204	12,243
Other Costs				
Administration *(Note 4)*	363,865	11,286	375,151	269,495
Communication	29,207	-	29,207	35,303
Facilities	319,205	-	319,205	288,190
Office	191,072	-	191,072	203,225
Resource development	279,040	-	279,040	248,536
	3,235,430	11,286	3,246,716	2,937,304
Excess of revenue over expenditures before amortization	116,039	358,686	474,725	95,861
Amortization	310,033	-	310,033	306,199
Excess/(deficiency) of revenue over expenses for the year	(193,994)	358,686	164,692	(210,338)
Fund balance, beginning of year	4,495,126	-	4,495,126	4,705,464
Fund transfer	358,686	(358,686)	-	-
Fund balance, end of year	$ 4,659,818 $	- $	4,659,818 $	4,495,126

The Dorothy Ley Hospice
(Incorporated as a corporation without share capital under the laws of Ontario)

Statement of Changes in Cash Flows
for the year ended **March 31, 2019**

	2019			2018
	Operating Fund	**Dream Fund**	**Total**	**Total**
Operating activities				
Excess (deficiency) of revenue over expenses	$ (193,994)	$ 358,686	$ 164,692	$ (210,338)
Items not requiring an outlay of cash				
Amortization	310,033	-	310,033	306,199
	116,039	358,686	474,725	95,861
Net change in working capital items				
Operating working capital				
Account receivable	18,998	-	18,998	12,741
HST recoverable	(28,217)	-	(28,217)	(19,015)
Prepaid expenses	2,580	-	2,580	3,024
Interfund receivable	281,635	(281,635)	-	-
Accounts payable	(54,674)	-	(54,674)	(12,463)
Deferred grant revenue	(385,428)	281,635	(103,793)	200,538
Deferred contributions	36,387	-	36,387	120,636
Increase (decrease) from operating	(12,680)	358,686	346,006	401,322
Investing activities				
Purchase of capital assets	(30,222)	-	(30,222)	(96,449)
Decrease from investing activities	(30,222)	-	(30,222)	(96,449)
Financing activities				
Repayment of long term debt	(415,769)	-	(415,769)	(63,555)
Interfund transfer of cash	358,686	(358,686)	-	-
Decrease from financing activities	(57,083)	(358,686)	(415,769)	(63,555)
Increase (decrease) in cash	**(99,985)**	**-**	**(99,985)**	**241,318**
Cash and short-term investments, beginning of year	1,136,676	-	1,136,676	895,358
Cash and short-term investments, end of year	**$ 1,036,691**	**$ -**	**$ 1,036,691**	**$ 1,136,676**

Incorporation and Mission

The Dorothy Ley Hospice ("the Hospice") was incorporated on March 17, 1987 as a corporation without share capital under the laws of Ontario and is a registered charity under the Income Tax Act (Canada). The Hospice is committed to fostering hope and dignity through exemplary care, advocacy, education and research for individuals living with the challenges of life-limiting illness or loss.

1. Significant Accounting Policies

Basis of presentation

The accounting policies of the Hospice are in accordance with Canadian accounting standards for not-for-profit organizations. Policies which are considered particularly significant are outlined below.

Fund accounting

Revenue and expenses related to the delivery of services and administrative activities are reported in the Operating Fund.

Contributions which have been specifically designated by the donor for mortgage payments and capital expenditures are reported in the Dream Fund.

Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days.

Contributed services

Volunteers contributed 24,172 hours in this fiscal year (23,789 in 2018) to assist the Hospice in carrying out its service activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Revenue recognition

The Hospice follows the deferral method of accounting for contributions. Unrestricted contributions and other grants are recognized as revenue when received. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Investment income is recognized as revenue when earned.

Government funding is recognized on a monthly basis over the term of the funding agreement.

Miscellaneous revenue is recognized when it becomes receivable.

1. Significant Accounting Policies - continued

Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets, as follows:

Landscaping	20 years	Straight line
Parking Lot	15 years	Straight line
Building	35 years	Straight line
Roof	20 years	Straight line
Elevator and mechanical systems	20 years	Straight line
Residential suites equipment	20 years	Straight line
Small appliances and dishes	3 years	Straight line
Major appliances	10 years	Straight line
Computer hardware	3 years	Straight line
Furniture and fixtures	10 years	Straight line
Telephone system	10 years	Straight line
Security system	15 years	Straight line
Website	3 years	Straight line

Financial Instruments

Financial assets and liabilities are recognized when the Hospice becomes party to the contractual provisions of the instrument. Financial assets and liabilities are derecognized when the rights or obligations to receive or repay cash flows from the assets and liabilities have expired or have transferred and the Hospice has transferred substantially all risks and rewards of ownership.

Financial instruments of the Hospice consist of cash, short-term deposits, accounts receivable, other receivables, investments, accounts payable and accrued charges and long-term debt. Cash, accounts receivable, other receivables, accounts payable and accrued charges and long-term debt are recorded at amortized cost. Amortization is recorded on a straight-line basis. Short-term deposits and investments are recognized at fair value determined on the basis of market value. Gains or losses are recognized in the statement of operations and changes in fund balances in the period in which they occur.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the excess of revenues over expenses. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the excess of revenue over expenses.

1. Significant Accounting Policies - continued

Management uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates and assumptions are used when accounting for items such as impairment of capital assets and the determination of their useful lives, revenue recognition, contingent liabilities and allowances for amounts receivable.

2. Cash and short-term investments

Cash consists of the following:

	2019	2018
Bank balances	$ 372,833	$ 603,354
Outstanding cheques	(30,964)	(83,855)
High-interest savings account	589,080	495,285
	$ 930,949	$ 1,014,784

Short-term investments consist of one Guaranteed Investment Certificate with a principal of $105,742, bearing interest of 1.05% per annum and maturing in the next fiscal year.

Cash - restricted

The Hospice received donations that are designated for specific capital and operating programs, which have not been completed as of March 31, 2019 and for which funds received are restricted as follows:

	2019	2018
Capital		
Specific capital projects	$ 28,197	$ 91,671
Dream campaign	281,635	257,845
Specific programs	94,430	156,892
	$ 404,262	**$ 506,408**

3. Dream Fund

Officially launched in 2018, the *Building on the Dream Campaign* aims to raise $4 million over 3 years. The $4 million will be used to:

i) Pay off the balance of the mortgage
ii) Establish and maintain a capital reserve fund to ensure the integrity of the building and provide for renewal of capital assets
iii) Establish and maintain an operating reserve fund to ensure financial sustainability
iv) Enhance programs and services beyond what is delivered through government funding

During the year, $358,686 of excess of revenues over expenses for the Dream Fund has been transferred to Operating Fund and a one-time payment in the same amount has been applied against the mortgage balance. Dream campaign expenses of $11,286 have been offset by contributions from two donors specifically contributed for this purpose.

Dream Fund activity during the year is as follows:

	2019	2018
Deferred Dream Fund contributions, beginning of year	$ 257,845	$ 26,021
Add: Contributions received during the year	393,762	231,824
Less: Transfer to Operating Fund	(358,686)	-
Less: Dream Fund expenses	(11,286)	-
Deferred Dream Fund contributions, end of year	$ 281,635	$ 257,845

Dream Fund contributions deferred at year end will be recognized in the subsequent years as additional lump-sum payments are made against the mortgage payable balance and as other expenditures and/or transfers are made.

4. Administration costs

Administration costs have increased by 39.2% compared to prior year. This increase is directly related to restructuring payments and recruitment fees incurred by the Organization during the year.

5. Capital assets

	Cost	Accumulated Amortization	2019 Net Book Value	2018 Net Book Value
Landscaping	$ 414,467	$ 202,053	$ 212,414	233,138
Parking Lot	73,714	47,914	25,800	30,714
Building	5,739,213	1,581,706	4,157,507	4,321,484
Roof	79,358	38,687	40,671	44,639
Elevator mechanical systems	540,966	225,150	315,816	342,864
Residential suites equipment	211,373	94,131	117,242	127,811
Small appliances and dishes	26,752	26,752	-	-
Major appliances	61,782	39,048	22,734	19,154
Computer hardware	168,481	163,094	5,387	16,160
Computer software	8,805	8,805	-	-
Furniture and fixtures	517,274	403,539	113,735	142,653
Telephone system	45,264	42,482	2,782	7,309
Security system	119,599	76,318	43,281	51,254
Website	26,842	26,842	-	-
	$ 8,033,890	$ 2,976,521	$ 5,057,369	$ 5,337,180

6. Deferred grant revenue

The Hospice has received restricted grants and restricted donations that are to be used for specific capital projects or specific operations of the Hospice. Deferred grant revenue is recognized as revenue as related expenses are incurred. As of March 31, 2019, deferred grant revenue included the following:

	2019	2018
Capital projects	$ 28,197	$ 91,671
Dream Capital campaign	281,635	257,845
Operating grants and donations	90,564	92,210
Specific initiatives	94,430	156,893
	$ 494,826	$ 598,619

7. Deferred contributions

Deferred contributions include restricted donations and restricted grant revenues that have been used for the purchase of capital assets. These contributions are recognized as revenue over the useful lives of the related capital assets, with revenue matching to their amortization.

8. Income Tax Status

The Hospice is registered as a charitable organization under Section 149 (1)(f) of the Income Tax Act (Canada) and, as such, is exempt from income taxes, and may issue receipts that are eligible for a non-refundable tax credit by an individual donor and a tax deduction by a corporate donor.

9. Contingent liability

Upon the expiration of its lease with Trillium Health Partners, The Dorothy Ley Hospice may, at its own cost, be required to dismantle and remove the free standing hospice, repair any damage to the leased premises, remove any hazardous material, restore leased premises to level grade and landscape and pave the premises in a manner agreeable to Trillium Health Partners. The requirement to have The Dorothy Ley Hospice do the above is at the sole option of Trillium Health Partners. As the lease does not expire until October 2042, it is not known at this time whether these costs will be incurred and therefore, no liability for these contingent costs has been reflected in these financial statements.

10. Commitments

The Dorothy Ley Hospice entered into a lease with Trillium Health Partners to use land until 2042 as the site of the free-standing palliative care hospice at a cost of $1 per year.

11. Long term debt

In November 2018, the Hospice entered into a non-revolving credit facility with the Royal Bank of Canada.

The facility has a 12-month term, bears interest at a variable rate of Royal Bank Prime plus 1.33% per annum and requires blended monthly principal and interest payments of $7,250.00. The loan matures on November 22, 2019. The credit facility is secured by a General Security Agreement constituting a first ranking security in all personal property of the Hospice, a Leasehold Charge in the amount of $2,000,000 over the lease dated October 15, 2007, between the Hospice and Trillium Health Partners for the property located at 220 Sherway Drive, Etobicoke, Ontario and a Tri-partite agreement signed by the Royal Bank of Canada, the Hospice, and Trillium Health Partners.

During the year, interest expense on this facility in the amount of $48,471 has been included in office expenses and charged against the Operating Fund. At March 31, 2019, the balance owing on the facility is $880,993.

Principal amount due over the next year is as follows:

2020	$ 880,993
	$ 880,993

12. Financial instruments

The organization's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The organization's risk management approach is to minimize the potential adverse effects from these risks on its financial performance.

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Hospice's debt bears interest at a variable rate for one year and therefore, the Hospice does not currently have a significant exposure to interest rate risk.

Credit risk

Credit risk arises from the financial assets of the Hospice, which are exposed to potential counterparty default, with a maximum exposure equal to the carrying amount of the asset.

In the normal course of business, the Hospice incurs credit risk from accounts receivable from third parties. The Hospice performs ongoing credit evaluations of new and existing customers' financial conditions and reviews the collectibility of amounts receivable. No single party accounts for a significant balance of accounts receivable. In the last three years, the allowance for doubtful accounts has been $NIL (2018 - $NIL, 2017 - $NIL) and bad debt expense has been $NIL (2018 - $NIL, 2017 - $NIL).

The Hospice's credit risk with respect to cash and cash equivalents is minimized substantially by seeking to ensure that these financial instruments are secured with a well capitalized financial institution.

Liquidity Risk

Liquidity risk is the risk that the Hospice will not be able to meet its obligations associated with financial liabilities. The Hospice manages liquidity risk by maintaining cash balances, adequate borrowing facilities and monitoring forecasts and actual cash flows. Cash flow from operations provides a substantial portion of the Hospice's cash requirements.

The Hospice expects future cash flows from operations, cash and cash equivalents on hand and fundraising to be sufficient to satisfy obligations as they come due.

13. Comparative figures

Certain accounts in the prior year's statement of financial position have been reclassified for comparative purposes to conform with the presentation in the current year's statement of financial position.