

The Dorothy Ley Hospice
Audited Financial Statements
March 31, 2020



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, 2020 and 2019**, 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, 2020 and 2019**, 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, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2020 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.

The Dorothy Ley Hospice Independent Auditors' Report

Page 2

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.

Mississauga, Ontario
June 22, 2020

Clarkson Rouble LLP
Clarkson Rouble LLP
Chartered Professional Accountants
Licensed Public Accountants

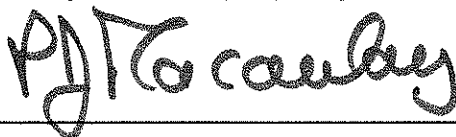
The Dorothy Ley Hospice
(Incorporated as a corporation without share capital under the laws of Ontario)

Statement of Financial Position
As at March 31

	Operating Fund	2020 Dream Fund	Total	2019 Total
Assets				
Current assets				
Cash (Note 2)	\$ 1,033,725	\$ -	\$ 1,033,725	930,949
Short term investments (Note 2)	107,415	-	107,415	105,742
Accounts receivable	1,374	-	1,374	894
HST recoverable	43,585	-	43,585	55,737
Inter fund accounts receivable (Note 3)	-	422,539	422,539	281,635
Prepaid expenses	57,208	-	57,208	49,058
	1,243,307	422,539	1,665,846	1,424,015
Capital assets (Note 4)	4,765,099	-	4,765,099	5,057,369
	\$ 6,008,406	\$ 422,539	\$ 6,430,945	\$ 6,481,384
Liabilities and fund balances				
Current liabilities				
Accounts payable and accruals	\$ 66,287	\$ -	\$ 66,287	67,657
Inter fund accounts payable (Note 3)	422,539	-	422,539	281,635
Deferred grant revenue (Note 5)	183,811	422,539	606,350	494,826
Deferred contributions (Note 6)	96,408	-	96,408	96,455
Current portion of long-term debt (Note 11)	839,501	-	839,501	880,993
	1,608,546	422,539	2,031,085	1,821,566
Fund balances				
Unrestricted	4,399,860	-	4,399,860	4,659,818
	\$ 6,008,406	\$ 422,539	\$ 6,430,945	\$ 6,481,384

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

Approved by The Dorothy Ley Hospice:



The Dorothy Ley Hospice
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Statement of Operations and Changes in Fund Balances
for the year ended March 31, 2020

	2020		2019
	Operating	Dream	
	Fund	Fund	Total
			Total
Revenue			
Provincial government funding	\$ 2,016,727	-	\$ 2,016,727
Contributions	1,120,161	8,958	1,129,119
Investment income	11,261	-	11,261
Other grants	35,910	-	35,910
Miscellaneous revenue	28,980	-	28,980
	3,213,039	8,958	3,221,997
Expenses			
Program Costs			
Bereavement	112,843	-	112,843
Direct care co-ordination	289,837	-	289,837
Education	182,460	-	182,460
Other grants	35,910	-	35,910
Residential	1,238,044	-	1,238,044
Spiritual care	75,504	-	75,504
Visiting hospice	97,779	-	97,779
Support services & training	55,444	-	55,444
Day program	23,723	-	23,723
Other Costs			
Administration	308,080	8,958	317,038
Communication	17,174	-	17,174
Facilities	305,265	-	305,265
Office	145,884	-	145,884
Resource development	280,234	-	280,234
	3,168,181	8,958	3,177,139
Excess of revenue over expenditures before amortization			
	44,858	-	44,858
Amortization			
	304,816	-	304,816
Excess/(deficiency) of revenue over expenses for the year			
	(259,958)	-	(259,958)
Fund balance, beginning of year			
	4,659,818	-	4,659,818
Fund balance, end of year			
	\$ 4,399,860	-	\$ 4,399,860

The Dorothy Ley Hospice
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Statement of Changes in Cash Flows
for the year ended March 31, 2020

	2020		2019	
	Operating Fund	Dream Fund	Total	Total
Operating activities				
Excess (deficiency) of revenue over expenses	\$ (259,958)	\$ -	\$ (259,958)	\$ 164,692
Items not requiring an outlay of cash				
Amortization	304,816	-	304,816	310,033
Loss on disposal of capital asset	2,162	-	2,162	-
	47,020	-	47,020	474,725
Net change in working capital items				
Operating working capital				
Account receivable	(480)	-	(480)	18,998
HST recoverable	12,152	-	12,152	(28,217)
Prepaid expenses	(8,150)	-	(8,150)	2,580
Interfund receivable	422,539	(422,539)	-	-
Accounts payable	(1,370)	-	(1,370)	(54,674)
Deferred grant revenue	(311,015)	422,539	111,524	(103,793)
Deferred contributions	(47)	-	(47)	36,387
Increase (decrease) from operating	160,649	-	160,649	346,006
Investing activities				
Purchase of capital assets	(14,708)	-	(14,708)	(30,222)
Decrease from investing activities	(14,708)	-	(14,708)	(30,222)
Financing activities				
Repayment of long term debt	(41,492)	-	(41,492)	(415,769)
Decrease from financing activities	(41,492)	-	(41,492)	(415,769)
Increase (decrease) in cash	104,449	-	104,449	(99,985)
Cash and short-term investments, beginning of year	1,036,691	-	1,036,691	1,136,676
Cash and short-term investments, end of year	\$ 1,141,140	\$ -	\$ 1,141,140	\$ 1,036,691

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

Notes to Audited Financial Statements
March 31, 2020

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 22,753 hours in this fiscal year (24,172 in 2019) 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.

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

Notes to Audited Financial Statements
March 31, 2020

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.

The Dorothy Ley Hospice
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Notes to Audited Financial Statements
March 31, 2020

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:

	2020	2019
Bank balances	\$ 249,491	\$ 372,833
Outstanding cheques	(12,755)	(30,964)
High-interest savings account	796,989	589,080
	<u>\$ 1,033,725</u>	<u>\$ 930,949</u>

Short-term investments consist of one Guaranteed Investment Certificate with a principal of \$107,415, bearing interest of 1.65% per annum and maturing in the 2022 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, 2020 and for which funds received are restricted as follows:

	2020	2019
Capital		
Specific capital projects	\$ 16,204	\$ 28,197
Dream campaign	422,539	281,635
Specific programs	78,472	94,430
	<u>\$ 517,215</u>	<u>\$ 404,262</u>

The Dorothy Ley Hospice
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Notes to Audited Financial Statements
March 31, 2020

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

Dream Fund activity during the year is as follows:

	2020	2019
Deferred Dream Fund contributions, beginning of year	\$ 281,635	\$ 257,845
Add: Contributions received during the year	149,862	393,762
Less: Transfer to Operating Fund	-	(358,686)
Less: Dream Fund expenses	(8,958)	(11,286)
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Deferred Dream Fund contributions, end of year	\$ 422,539	\$ 281,635

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.

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

Notes to Audited Financial Statements
March 31, 2020

4. Capital assets

			2020	2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Landscaping	\$ 414,467	\$ 222,776	\$ 191,691	212,414
Parking Lot	73,714	52,828	20,886	25,800
Building	5,739,213	1,745,683	3,993,530	4,157,507
Roof	79,358	42,655	36,703	40,671
Elevator mechanical systems	540,966	252,197	288,769	315,816
Residential suites equipment	211,373	104,700	106,673	117,242
Small appliances and dishes	26,752	26,752	-	-
Major appliances	58,456	43,730	14,726	22,734
Computer hardware	168,481	168,481	-	5,387
Computer software	8,805	8,805	-	-
Furniture and fixtures	531,981	455,168	76,813	113,735
Telephone system	45,264	45,264	-	2,782
Security system	119,599	84,291	35,308	43,281
Website	26,842	26,842	-	-
	\$ 8,045,271	\$ 3,280,172	\$ 4,765,099	\$ 5,057,369

5. 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, 2020, deferred grant revenue included the following:

	2020	2019
Capital projects	\$ 16,204	\$ 28,197
Dream Capital campaign	422,539	281,635
Operating grants and donations	89,135	90,564
Specific initiatives	78,472	94,430
	\$ 606,350	\$ 494,826

The Dorothy Ley Hospice
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Notes to Audited Financial Statements
March 31, 2020

6. 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.

7. 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.

8. Subsequent event

The COVID-19 outbreak in Canada, subsequent to the year end, has caused business disruption through mandated and voluntary closings of multiple businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and impacts across industries, including health care. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, provincial direction on funding, impact on patients, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

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.

The Dorothy Ley Hospice
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Notes to Audited Financial Statements
March 31, 2020

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 2019, 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, 2020. 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 \$45,508 has been included in office expenses and charged against the Operating Fund. At March 31, 2020, the balance owing on the facility is \$839,501.

Principal amount due over the next year is as follows:

2021	\$ 839,501
	\$ 839,501

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 (2019 - \$NIL, 2018 - \$NIL) and bad debt expense has been \$NIL (2019 - \$NIL, 2018 - \$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.