

The Dorothy Ley Hospice
Audited Financial Statements
March 31, 2022



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, 2022**, 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, 2022**, 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, 2022, current assets as at March 31, 2022, and net assets as at April 1 and March 31 for the 2022 fiscal year. Our audit opinion on the financial statements for the year ended March 31, 2022 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.

Mississauga, Ontario
June 27, 2022

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

	2022	2021
Assets		
Current assets		
Cash (Note 3)	\$ 2,355,389	\$ 1,306,037
Short term investments (Note 3)	110,091	107,415
Accounts receivable	1,096	3,156
HST recoverable	45,007	38,458
Prepaid expenses	67,692	60,572
	2,579,275	1,515,638
Capital assets (Note 4)	4,343,993	4,570,448
	\$ 6,923,268	\$ 6,086,086
Liabilities		
Current liabilities		
Accounts payable and accruals	\$ 176,932	\$ 103,277
Deferred grant revenue (Note 5)	1,763,409	800,300
Deferred contributions (Note 6)	123,910	123,074
Current portion of long-term debt (Note 10)	39,588	783,272
	2,103,839	1,809,923
Long-term debt (Note 10)	485,395	-
	2,589,234	1,809,923
Net Assets		
Unrestricted	4,334,034	4,276,163
	\$ 6,923,268	\$ 6,086,086

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
for the year ended **March 31**

	2022	2021
Revenue		
Provincial government funding	\$ 2,435,816	\$ 2,103,314
Contributions	1,280,180	1,140,900
Investment income	3,388	4,648
Other grants	20,455	9,258
Miscellaneous revenue	31,049	30,258
Wage subsidies (Note 2)	57,818	132,610
	3,828,706	3,420,988
Expenses		
Program Costs		
Bereavement	144,027	138,982
Direct care co-ordination	325,382	275,087
Education	184,830	184,721
Other grants	24,878	10,268
Residential	1,459,457	1,353,773
Spiritual care	63,880	77,918
Visiting hospice	85,513	85,936
Support services & training	55,059	57,134
Day program	23,559	36,535
Other Costs		
Administration	377,712	358,996
Communication	10,495	7,793
Facilities	282,381	282,603
Office	153,601	147,193
Resource development	316,880	279,808
	3,507,654	3,296,747
Excess of revenue over expenditures before amortization	321,052	124,241
Amortization	263,181	247,938
Excess/(deficiency) of revenue over expenses for the year	57,871	(123,697)
Net assets, beginning of year	4,276,163	4,399,860
Net assets, end of year	\$ 4,334,034	\$ 4,276,163

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

	2022	2021
Operating activities		
Excess (deficiency) of revenue over expenses	\$ 57,871	\$ (123,697)
Items not requiring an outlay of cash		
Amortization	263,181	247,938
	<u>321,052</u>	<u>124,241</u>
Net change in working capital items		
Operating working capital		
Account receivable	2,060	(1,782)
HST recoverable	(6,549)	5,127
Prepaid expenses	(7,120)	(3,364)
Accounts payable	73,655	36,990
Deferred grant revenue	963,109	193,950
Deferred contributions	836	26,666
	<u>1,347,043</u>	<u>381,828</u>
Investing activities		
Purchase of capital assets	(36,726)	(53,287)
	<u>(36,726)</u>	<u>(53,287)</u>
Decrease from investing activities	<u>(36,726)</u>	<u>(53,287)</u>
Financing activities		
Repayment of long term debt	(258,289)	(56,229)
	<u>(258,289)</u>	<u>(56,229)</u>
Decrease from financing activities	<u>(258,289)</u>	<u>(56,229)</u>
Increase in cash	1,052,028	272,312
Cash and short-term investments, beginning of year	1,413,452	1,141,140
Cash and short-term investments, end of year	\$ 2,465,480	\$ 1,413,452

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

Notes to Audited Financial Statements
March 31, 2022

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.

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 7,786 hours in this fiscal year (6,433 in 2021) to assist the Hospice in carrying out its service activities. The Organization tried to be as compliant as possible with all Covid-19 restrictions in place, resulting in a significant decrease in contributed volunteer hours in this fiscal year.

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.

Wage subsidies are recognized as revenue in the period for which they relate to.

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

Notes to Audited Financial Statements
March 31, 2022

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, 2022

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. Covid-19 and government assistance

On March 11, 2020, the World Health Organization declared Covid-19 a global pandemic. On March 17, 2020, the Province of Ontario invoked the Emergency Management and Civil Protection Act. The Covid-19 pandemic has had a significant impact on the operations of the Organization. Despite the effects of this impact, the Organization was able to continue to deliver services and expand services to meet the increased demand for hospice care in the community. There were increased expenditures for staffing and supplies to support staff and client safety to ensure full compliance with public health measures. The Organization's fundraising was impacted, however support from the federal government wage subsidy program, Provincial Ministry of Health one-time funding of \$375,000, and the generous support of donors allowed the Organization to continue high quality and safe operations. The Organization is deeply grateful to its funders and generous donors for their support over the past year.

While the pandemic is improving, there are continued impacts and uncertainty, as such it is difficult to estimate the financial effect on the Organization. Therefore, no adjustments have been made on these financial statements.

The Organization has applied for and received government assistance related to the Covid-19 pandemic. Canada Emergency Wage Subsidy (CEWS) program provided a subsidy of up to 75% of wages for up to 84 weeks retroactive from March 15, 2020 to October 23, 2021. For the fiscal year ended March 31, 2022, the Organization recognized \$57,818 in subsidies from the CEWS program.

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3. Cash and short-term investments

Cash consists of the following:

	2022	2021
Bank balances	\$ 1,166,992	\$ 452,438
Outstanding cheques	(42,015)	(43,147)
High-interest savings account	1,230,412	896,746
	<u>\$ 2,355,389</u>	<u>\$ 1,306,037</u>

Short-term investments consist of one Guaranteed Investment Certificate with a principal of \$110,091, bearing interest of 0.30% per annum and maturing in the 2023 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, 2022 and for which funds received are restricted as follows:

	2022	2021
Dream Fund		
Hospice bed expansion	\$ 835,458	\$ 150,313
Programs, other capital projects and mortgage payment	421,712	449,439
Specific programs (to support future programs and operating needs)	416,982	105,940
	<u>\$ 1,674,152</u>	<u>\$ 705,692</u>

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Notes to Audited Financial Statements
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4. Capital assets

			2022	2021
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Landscaping	\$ 414,467	\$ 264,223	\$ 150,244	170,967
Parking Lot	73,714	62,657	11,057	15,971
Building	5,739,213	2,073,638	3,665,575	3,829,553
Roof	79,358	50,591	28,767	32,735
Elevator mechanical systems	540,966	306,294	234,672	261,721
Residential suites equipment	224,771	126,842	97,929	109,168
Renovations - in progress	20,906	-	20,906	11,511
Small appliances and dishes	26,752	26,752	-	-
Major appliances	58,456	55,421	3,035	8,881
Computer hardware	173,685	171,083	2,602	4,337
Computer software	-	-	-	-
Furniture and fixtures	559,313	465,764	93,549	77,389
Telephone system	53,371	46,480	6,891	7,702
Security system	124,276	100,705	23,571	31,855
Website	37,231	32,036	5,195	8,658
	\$ 8,126,479	\$ 3,793,997	\$ 4,343,993	\$ 4,570,448

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, 2022, deferred grant revenue included the following:

	2022	2021
Dream Fund		
Hospice bed expansion	\$ 835,458	\$ 150,313
Programs, other capital projects and mortgage payment	421,712	449,439
Specific programs (to support future programs and operating needs)	416,982	105,940
Operating grants	87,500	87,500
PSW top-up funding	1,757	7,108
	\$ 1,763,409	\$ 800,300

The Dorothy Ley Hospice
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Notes to Audited Financial Statements
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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. 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.

9. 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.

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10. Long-term debt

The Hospice has entered into a non-revolving credit facility with the Royal Bank of Canada.

The facility has a 36-month term, bears interest at a fixed rate of 4.03% per annum and requires blended monthly principal and interest payments of \$5,001.59. The loan matures on March 22, 2025. 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 \$28,712 has been included in office expenses. At March 31, 2022, the balance owing on the facility is \$524,983.

Principal amounts due over the next three years are as follows:

2023	\$	39,588
2024		41,213
2025		444,182
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	\$	524,983

The Dorothy Ley Hospice
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Notes to Audited Financial Statements
March 31, 2022

11. 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 (2021 - \$NIL, 2020 - \$NIL) and bad debt expense has been \$NIL (2021 - \$NIL, 2020 - \$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.