

Financial Statements of

**PHILIP AZIZ CENTRE FOR
HOSPICE CARE**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Directors of Philip Aziz Centre for Hospice Care

Qualified Opinion

We have audited the financial statements of Philip Aziz Centre for Hospice Care (the Entity), which comprise:

- the statement of financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of 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 charitable organizations, the Entity derives a part of its revenue from cash 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2019 and March 31, 2018
- the donations revenue and excess (deficiency) of revenue over expenses reported in the statements of operations for the years ended March 31, 2019 and March 31, 2018



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- the fund balances at the beginning and end of the year reported in the statements of changes in fund balances for the years ended March 31, 2019 and March 31, 2018
- the excess (deficiency) of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2019 and March 31, 2018.

Our opinion on the financial statements for the year ended March 31, 2018 was qualified 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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 qualified 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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



Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.



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- 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

May 27, 2019

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 116,970	\$ 151,844
Short-term investment (note 2)	105,903	18,503
Accounts receivable	14,798	7,776
Sales taxes refundable	26,026	27,567
Prepaid expenses, deposits and other	25,917	26,177
	<u>289,614</u>	<u>231,867</u>
Capital assets (note 3)	6,278,431	6,387,693
	<u>\$ 6,568,045</u>	<u>\$ 6,619,560</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 332,878	\$ 236,954
Government remittances payable	54,026	52,929
Deferred contributions - general (note 4)	76,360	8,575
	<u>463,264</u>	<u>298,458</u>
Deferred contributions (note 5)	5,808,448	5,953,155
	<u>6,271,712</u>	<u>6,251,613</u>
Fund balances:		
General fund	134,064	152,889
Emily's House operating fund	162,269	215,058
	<u>296,333</u>	<u>367,947</u>
Commitments (note 9)		
	<u>\$ 6,568,045</u>	<u>\$ 6,619,560</u>

See accompanying notes to financial statements.


Louise Summerhill
Board Chair


Peter Goulos
Finance Committee Chair

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Donations and fundraising	\$ 939,121	\$ 1,410,562
Government funding	2,243,049	1,960,366
Amortization of deferred contributions (note 5)	194,707	226,343
Interest and sundry	21,819	5,654
	<u>3,398,696</u>	<u>3,602,925</u>
Expenses:		
Emily's House - client care and support	2,156,680	2,099,778
Children and family	200,270	227,641
Visiting hospice	373,263	247,115
Bereavement and spiritual care	98,677	99,881
Development and promotion	148,596	191,023
Administration	251,997	254,133
Amortization	240,827	268,799
	<u>3,470,310</u>	<u>3,388,370</u>
Excess (deficiency) of revenue over expenses	\$ (71,614)	\$ 214,555
Allocated as follows:		
Emily's House operating fund (note 10)	\$ (52,789)	\$ 299,079
General fund (note 10)	(18,825)	(84,524)
	<u>\$ (71,614)</u>	<u>\$ 214,555</u>

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Changes in Fund Balances

Year ended March 31, 2019, with comparative information for 2018

			2019	2018
	General fund	Emily's House operating fund	Total	Total
Balance, beginning of year	\$ 152,889	\$ 215,058	\$ 367,947	\$ 153,392
Excess (deficiency) of revenue over expenses	(18,825)	(52,789)	(71,614)	214,555
Balance, end of year	\$ 134,064	\$ 162,269	\$ 296,333	\$ 367,947

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (71,614)	\$ 214,555
Items not involving cash:		
Amortization	240,827	268,799
Loss on disposal of capital assets	—	664
Amortization of deferred contributions	(194,707)	(226,343)
Deferred contributions redesignated as donation revenue	(210,613)	(259,405)
	(236,107)	(1,730)
Change in non-cash operating working capital:		
Accounts receivable	(7,022)	(6,415)
Sales taxes refundable	1,541	(4,466)
Prepaid expenses, deposits and other	260	58,450
Accounts payable and accrued liabilities	95,924	12,619
Government remittances payable	1,097	3,727
	(144,307)	62,185
Financing activities:		
Receipts of deferred contributions	328,398	274,418
Repayment of notes payable	—	(30,000)
	328,398	244,418
Investing activities:		
Purchase of capital assets	(131,565)	(179,294)
Increase in short-term investment	(87,400)	(10,458)
	(218,965)	(189,752)
Increase (decrease) in cash	(34,874)	116,851
Cash, beginning of year	151,844	34,993
Cash, end of year	\$ 116,970	\$ 151,844

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements

Year ended March 31, 2019

Philip Aziz Centre for Hospice Care (the "Hospice") is a corporation without share capital incorporated under the laws of Canada on September 8, 1992 and is a registered charity within the meaning of the Income Tax Act (Canada) and has been granted tax-exempt status. On January 12, 2013, the Hospice received a certificate of continuance under the Canada Not-for-profit Corporations Act.

The mission of the Hospice is to provide respite, practical, emotional, spiritual and bereavement support to people in the Toronto area living with life-limiting illnesses in the comfort of their own home, and at Emily's House, to optimize the quality of the lives of children and their families through the provision of integrated respite and pediatric palliative care in a home-like setting.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook. The following is a summary of significant accounting policies of the Hospice.

(a) Fund accounting:

The general fund consists of government subsidy, donations and other revenue and related expenses pertaining to the operations of the Hospice.

The Emily's House operating fund was established to account for revenue and expenses related to the operation of Emily's House.

(b) Revenue recognition:

The Hospice follows the restricted fund method whereby externally restricted contributions are recognized in the fund corresponding to the purpose for which they were contributed. Restricted contributions for which there is no fund are recorded in accordance with the deferral method. Restricted contributions toward the purchase of capital assets that will be amortized and for which no restricted fund exists are deferred and recognized as revenue on a straight-line basis as the amortized expense related to the acquired capital assets. Unrestricted contributions are recognized as revenue in the general fund when received or receivable.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(c) Government grants and operating subsidies:

The Hospice receives funding from the Government of Ontario. Government funding related to capital expenditures is recorded as deferred capital contributions within the Emily's House operating fund, and is recognized as income over the useful life of the related asset. Government funding relating to current operations is recognized as revenue in the year received or receivable. Amounts received in relation to future expenses for which no fund has been established are recorded as deferred revenue in the general fund.

(d) Capital assets:

Contributed capital assets are recorded at fair market value at the date of contribution. Purchased capital assets are recorded at cost. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	1, 2, 5 or 10 years
Software	3 years
Leasehold improvements	12 to 50 years

(e) Contributed services:

The Hospice is dependent upon hours contributed by volunteers. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

The Hospice receives contribution of materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as revenue when fair values can be determined.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

(f) Impairment of long-lived assets subject to amortization:

A long-lived asset subject to amortization is tested for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset subject to amortization exceeds its fair value.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from the estimates used.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Hospice has elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

1. Significant accounting policies (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Hospice determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Hospice expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(i) Allocation of expenses:

The Hospice reports expenses based on various operating functions as disclosed in the statement of operations. Certain costs are directly attributable to each operating function, while others are common to some or all functions. The functions to which costs are allocated include visiting hospice, children and family, bereavement and spiritual care, Emily's House, development and promotion, and administration. Costs shared across functions, which consist of salaries and benefits, volunteer-related expenses and other operating expenses, are allocated on the following basis:

Salaries and benefits	Prorated to hours worked for each function
Volunteer-related expenses	Prorated to the estimated actual consumption of goods and services by each function
Other operating expenses, excluding amortization	Prorated to the floor area occupied by each function

2. Short-term investment:

Short-term investments are in the form of two guaranteed investment certificates for \$57,200 and \$50,000 which mature on July 10, 2019 with interest of 1.20% and February 11, 2020 with interest of 0.60%, respectively (2018 - \$18,503 which matured on July 30, 2018 with interest of 0.45%). Both investments are cashable of demand.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 937,019	\$ 756,461	\$ 180,558	\$ 223,191
Software	58,930	42,087	16,843	13,518
Leasehold improvements	6,914,036	833,006	6,081,030	6,150,984
	<u>\$ 7,909,985</u>	<u>\$ 1,631,554</u>	<u>\$ 6,278,431</u>	<u>\$ 6,387,693</u>

Included in leasehold improvements is \$16,630 (2018 - \$73,890) in work-in-process.

4. Deferred contributions - general:

Deferred contributions - general represent amounts received for future events and consist of the following:

	2019	2018
Balance, beginning of year	\$ 8,575	\$ 83,562
Additions	278,398	184,418
Redesignated as donation revenue	(210,613)	(259,405)
<u>Balance, end of year</u>	<u>\$ 76,360</u>	<u>\$ 8,575</u>

5. Deferred contributions:

Deferred contributions represent the unamortized amount of funding and contributions received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations. The changes in the deferred contributions balance are as follows:

			2019	2018
	Donations	Government assistance	Total	Total
Balance, beginning of year	\$ 4,162,084	\$ 1,791,071	\$ 5,953,155	\$ 6,089,498
Additions	50,000	-	50,000	90,000
Amortized as revenue	(136,127)	(58,580)	(194,707)	(226,343)
<u>Balance, end of year</u>	<u>\$ 4,075,957</u>	<u>\$ 1,732,491</u>	<u>\$ 5,808,448</u>	<u>\$ 5,953,155</u>

Unspent deferred capital contributions as at year-end were \$50,000 (2018 - \$9,891).

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

6. Bank overdraft:

The Hospice has a revolving line of credit facility of \$300,000 available by way of business operating account overdraft. The facility is due on demand and incurs interest calculated at the prime rate plus 1.5% per annum. The amount outstanding under this facility at year end is nil (2018 - nil). The facility is secured by all present and after acquired personal property.

7. Financial instruments and risk management:

The Hospice is exposed to various risks through its financial instruments. The following analysis provides a measure of the Hospice's exposure to and concentrations of risk at March 31, 2019:

(a) Credit risk:

Credit risk is the risk one party to a financial instrument will cause financial loss for the other party by failing to discharge an obligation. The Hospice's main credit risks relate to its accounts receivable and sales taxes refundable. Given these items are due primarily from government agencies, management is of the opinion that the Hospice's exposure to credit risk is minimal. There has been no change in the assessment of credit risk from the prior year.

(b) Liquidity risk:

Liquidity risk is the risk the Hospice will encounter difficulty in meeting obligations associated with financial liabilities. The Hospice is exposed to this risk mainly with respect to its accounts payable and accrued liabilities and government remittances payable. The Hospice manages this risk by managing its working capital, including ensuring any investments are cashable. In order to meet obligations, the Hospice is dependent on the ongoing generosity of donors and contributors. Management is actively pursuing sources of contributions in order to meet future obligations. There has been no change in the assessment of liquidity risk from the prior year.

(c) Market risk:

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk. The Hospice's exposure to currency, interest rate and price risks is minimal. There has been no change in the assessment of market risk from the prior year.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

8. Economic dependency:

During the year, the Hospice received the majority 66% (2017 - 55%) of its contributions from the Ontario Ministry of Health.

9. Commitments:

The Hospice has entered into a long-term lease with the City of Toronto for the lease of property located in the City of Toronto to be used for operations. The lease has a term of 50 years starting November 2010. The lease is for a base rent of \$1 for the term of the lease plus operating costs and taxes.

10. Statement of operations by fund:

2019	Emily's House operating fund	General fund	Total
Revenue:			
Donations and fundraising	\$ 686,876	\$ 252,245	\$ 939,121
Government funding	1,755,185	487,864	2,243,049
Amortization of deferred contributions	181,852	12,855	194,707
Interest and sundry	15,745	6,074	21,819
	2,639,658	759,038	3,398,696
Expenses:			
Emily's House - client care and support	2,156,680	-	2,156,680
Children and family	-	200,270	200,270
Visiting hospice	-	373,263	373,263
Bereavement and spiritual care	-	98,677	98,677
Development and promotion	110,673	37,923	148,596
Administration	202,485	49,512	251,997
Amortization	222,609	18,218	240,827
	2,692,447	777,863	3,470,310
Deficiency of revenue over expenses	\$ (52,789)	\$ (18,825)	\$ (71,614)

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

10. Statement of operations by fund (continued):

2018	Emily's House operating fund	General fund	Total
Revenue:			
Donations and fundraising	\$ 1,197,778	\$ 212,784	\$ 1,410,562
Government funding	1,586,464	373,902	1,960,366
Amortization of deferred contributions	213,590	12,753	226,343
Interest and sundry	177	5,477	5,654
	<u>2,998,009</u>	<u>604,916</u>	<u>3,602,925</u>
Expenses:			
Emily's House - client care and support	2,099,778	—	2,099,778
Children and family	—	227,641	227,641
Visiting hospice	—	247,115	247,115
Bereavement and spiritual care	—	99,881	99,881
Development and promotion	147,132	43,891	191,023
Administration	200,121	54,012	254,133
Amortization	251,899	16,900	268,799
	<u>2,698,930</u>	<u>689,440</u>	<u>3,388,370</u>
Excess (deficiency) of revenue over expenses	\$ 299,079	\$ (84,524)	\$ 214,555

11. Allocation of expenses:

Salaries and benefits, volunteer-related expenses, and other operating expenses were allocated as follows:

2019	Salaries and benefits	Volunteer- related expenses	Other operating expenses	Total
Emily's House - client care and support	\$ 1,772,523	—	\$ 384,157	\$ 2,156,680
Children and family	141,459	—	58,811	200,270
Visiting hospice	305,893	37,619	29,751	373,263
Bereavement and spiritual care	84,322	—	14,355	98,677
Development and promotion	98,561	—	50,035	148,596
Administration	185,497	—	66,500	251,997
	<u>\$ 2,588,255</u>	<u>\$ 37,619</u>	<u>\$ 603,609</u>	<u>\$ 3,229,483</u>

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2019

11. Allocation of expenses (continued):

2018	Salaries and benefits	Volunteer-related expenses	Other operating expenses	Total
Emily's House - client care and support	\$ 1,730,322	\$ 400	\$ 369,056	\$ 2,099,778
Children and family	155,515	—	72,126	227,641
Visiting hospice	178,959	44,952	23,204	247,115
Bereavement and spiritual care	77,885	—	21,996	99,881
Development and promotion	97,598	—	93,425	191,023
Administration	182,877	—	71,256	254,133
	\$ 2,423,156	\$ 45,352	\$ 651,063	\$ 3,119,571