Financial Statements of

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Year ended March 31, 2016

KPMG LLP
Yonge Corporate Centre
4100 Yonge Street, Suite 200
Toronto ON M2P 2H3
Canada
Tel 416-228-7000
Fax 416-228-7123

INDEPENDENT AUDITORS' REPORT

To the Directors of Philip Aziz Centre for Hospice Care

We have audited the accompanying financial statements of Philip Aziz Centre for Hospice Care, which comprise the statement of financial position as at March 31, 2016, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

KPMG

Basis for Qualified Opinion

In common with many charitable organizations, Philip Aziz Centre for Hospice Care derives part of its revenue from the general public in the form of 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 Philip Aziz Centre for Hospice Care. Therefore, we were not able to determine, whether, as at and for the years ended March 31, 2016 and March 31, 2015, any adjustments might be necessary to donation revenue and excess (deficiency) of revenue over expenses reported in the statements of operations, excess (deficiency) of revenue over expenses in the statements of cash flows and current assets and fund balances in the statements of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Philip Aziz Centre for Hospice Care as at March 31, 2016, 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1(a) to the financial statements which indicates that Philip Aziz Centre for Hospice Care has current liabilities that exceed current assets for the year ended March 31, 2016. This condition, along with other matters set forth in note 1(a) in the financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Philip Aziz Centre for Hospice Care's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 25, 2016
Toronto, Canada

PHILIP AZIZ CENTRE FOR HOSPICE CARE
Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	$ 11,146	$ 2,191
Short-term investment (note 2)	40,421	–
Accounts receivable	2,545	3,739
Sales taxes refundable	22,488	24,824
Prepaid expenses, deposits and other	22,840	29,434
	99,440	60,188
Capital assets (note 3)	6,691,297	6,873,430
	$ 6,790,737	$ 6,933,618
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 187,277	$ 195,541
Government remittances payable	43,002	20,827
Notes payable (note 4)	152,000	252,263
Deferred contributions - general (note 5)	3,437	78,695
Bank overdraft (note 7)	–	57,827
	385,716	605,153
Deferred contributions (note 6)	6,348,031	6,597,087
	6,733,747	7,202,240
Fund balances:		
General fund	269,965	244,389
Emily's House operating fund	(212,975)	(513,011)
	56,990	(268,622)
Going concern (note 1(a))		
Commitments (note 10)		
	$ 6,790,737	$ 6,933,618

See accompanying notes to financial statements.

On behalf of the Board:

Director & Chair, Finance Committee

Director & Chair

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Operations

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Revenue:		
Donations and fundraising	$ 1,600,448	$ 763,015
Government funding	1,620,953	1,635,027
Amortization of deferred contributions	264,056	295,075
Interest and sundry	8,755	48,655
	3,494,212	2,741,772
Expenses:		
Emily's House	1,840,160	1,858,151
Visiting hospice	290,801	255,715
Amortization	279,168	299,396
Administration	243,634	251,658
Children and family	210,922	200,726
Development and promotion	187,840	244,831
Bereavement and spiritual care	116,075	114,376
	3,168,600	3,224,853
Excess (deficiency) of revenue over expenses	$ 325,612	$ (483,081)
Allocated as follows:		
Emily's House operating fund (note 11)	$ 300,036	$ (525,907)
General fund (note 11)	25,576	42,826
	$ 325,612	$ (483,081)

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	General fund	Emily's House operating fund	2016 Total	2015 Total
Balance, beginning of year	$ 244,389	$ (513,011)	$ (268,622)	$ 214,459
Excess (deficiency) of revenue over expenses	25,576	300,036	325,612	(483,081)
Balance, end of year	$ 269,965	$ (212,975)	$ 56,990	$ (268,622)

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 325,612	$ (483,081)
Items not involving cash:		
Amortization	279,168	299,396
Loss on disposal of capital assets	3,712	–
Amortization of deferred contributions	(264,056)	(295,075)
Notes payable forgiveness	(20,000)	–
Deferred contributions redesignated as donation revenue	(178,030)	(8,342)
	146,406	(487,102)
Change in non-cash operating working capital:		
Accounts receivable	1,194	159
Sales taxes refundable	2,336	(3,186)
Accrued investment revenue	(421)	–
Prepaid expenses, deposits and other	6,594	(14,649)
Accounts payable and accrued liabilities	(8,264)	35,574
Government remittances payable	22,175	(33,581)
	170,020	(502,785)
Financing activities:		
Receipts of deferred contributions - general	15,000	75,000
Receipts of deferred contributions	102,772	–
Proceeds from notes payable	–	72,263
Repayment of notes payable	(80,263)	(80,000)
Increase (decrease) in bank overdraft	(57,827)	57,827
	(20,318)	125,090
Investing activities:		
Purchase of capital assets	(101,747)	(45,893)
Proceeds from disposal of capital assets	1,000	–
Increase in short-term investment	(40,000)	–
	(140,747)	(45,893)
Increase (decrease) in cash	8,955	(423,588)
Cash, beginning of year	2,191	425,779
Cash, end of year	$ 11,146	$ 2,191

See accompanying notes to financial statements.

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) Going concern assumption:

These financial statements have been prepared on a going concern basis which assumes that the Hospice will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. Material uncertainties exist which may cast significant doubt about the appropriateness of the use of the going concern assumption because as at March 31, 2016, current liabilities exceeded current assets.

The ability of the Hospice to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the Hospice's ability to achieve revenue in excess of expenses, generate positive cash flows from operating activities and extend the maturity dates of its notes payable (note 4) which is dependent on the cooperation of the note holders. The Hospice's ability to achieve revenue in excess of expenses and generate positive cash flows from operating activities is dependent upon the Hospice obtaining increased government funding and/or increased donations. These material uncertainties may cast significant doubt about the Hospice's ability to continue as a going concern and realize its assets and pay its liabilities as they come due.

1. Significant accounting policies (continued):

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis were not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

(b) 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.

(c) 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.

(d) Government grants and operating subsidies:

The Hospice receives funding from the Government of Ontario. Government funding related to capital expenditures is recorded as deferred revenue 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 and is recorded in the general fund. Amounts received in relation to future expenses for which no fund has been established are recorded as deferred revenue in the general fund.

1. Significant accounting policies (continued):

(e) 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	50 years

(f) 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.

(g) 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.

1. **Significant accounting policies (continued):**

(h) 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.

(i) 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.

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.

1. Significant accounting policies (continued):

(j) 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:

The short-term investment is in a form of a Guaranteed Investment Certificate and matures on July 11, 2016 with interest of 1.05% and is cashable on demand. The short-term investment includes accrued interest of $421.

3. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture and equipment	$ 771,499	$ 420,643	$ 350,856	$ 441,142
Software	51,446	30,653	20,793	2,720
Leasehold improvements	6,722,007	402,359	6,319,648	6,429,568
	$ 7,544,952	$ 853,655	$ 6,691,297	$ 6,873,430

4. Notes payable:

	2016	2015
Unsecured, due on demand including interest calculated at a rate of 8%	$ 112,000	$ 150,000
Unsecured, due on demand, non-interest bearing	–	30,000
Unsecured, due on demand, non-interest bearing	40,000	60,000
	152,000	240,000
Add accrued interest	–	12,263
	$ 152,000	$ 252,263

Two members of the board of directors of the Hospice have financed operations through notes payable of $172,000 (2015 - $210,000), of which $20,000 was forgiven by a member of the board of directors during the year, with accrued interest of nil (2015 - $12,533).

Subsequent to year end, $10,000 of these notes payable was paid to a member of the board of directors.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Deferred contributions - general:

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

	2016	2015
Balance, beginning of year	$ 78,695	$ 87,037
Additions	102,772	–
Redesignated as donation revenue	(178,030)	(8,342)
Balance, end of year	$ 3,437	$ 78,695

6. 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:

			2016	2015
	Donations	Government assistance	Total	Total
Balance, beginning of year	$ 4,574,772	$ 2,022,315	$ 6,597,087	$ 6,817,162
Additions	15,000	–	15,000	75,000
Amortized as revenue	(183,111)	(80,945)	(264,056)	(295,075)
Balance, end of year	$ 4,406,661	$ 1,941,370	$ 6,348,031	$ 6,597,087

Unspent deferred capital contributions as at year-end were $40,000 (2015 - $75,000).

7. Bank overdraft:

The Hospice has a revolving line of credit facility of $175,000 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. From November 1, 2014 to May 1, 2015, the credit limit for this facility was $300,000. The amount outstanding under this facility at year end is nil (2015 - $57,827). The facility is secured by all present and after acquired personal property.

8. 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, 2016:

(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 period.

8. Financial instruments and risk management (continued):

(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 notes payable, 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 period.

(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 period.

9. Economic dependency:

During the year, the Hospice received the majority 59% (2015 - 73%) of its contributions from the Ontario Ministry of Health and two other donors (2015 - one).

10. 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.

11. Statement of operations by fund:

2016	Emily's House operating fund	General fund	Total
Revenue:			
Donations and fundraising	$ 1,272,525	$ 327,923	$ 1,600,448
Government funding	1,209,019	411,934	1,620,953
Amortization of deferred contributions	238,757	25,299	264,056
Interest and sundry	92	8,663	8,755
	2,720,393	773,819	3,494,212
Expenses:			
Emily's House	1,840,160	–	1,840,160
Children and family	–	210,922	210,922
Visiting hospice	–	290,801	290,801
Bereavement and spiritual care	–	116,075	116,075
Development and promotion	139,886	47,954	187,840
Administration	187,931	55,703	243,634
Amortization	252,380	26,788	279,168
	2,420,357	748,243	3,168,600
Excess of revenue over expenses	$ 300,036	$ 25,576	$ 325,612

2015	Emily's House operating fund	General fund	Total
Revenue:			
Donations and fundraising	$ 477,318	$ 285,697	$ 763,015
Government funding	1,202,416	432,611	1,635,027
Amortization of deferred contributions	267,980	27,095	295,075
Interest and sundry	29,441	19,214	48,655
	1,977,155	764,617	2,741,772
Expenses:			
Emily's House	1,858,151	–	1,858,151
Children and family	–	200,726	200,726
Visiting hospice	–	255,715	255,715
Bereavement and spiritual care	–	114,376	114,376
Development and promotion	175,828	69,003	244,831
Administration	197,129	54,529	251,658
Amortization	271,954	27,442	299,396
	2,503,062	721,791	3,224,853
Excess (deficiency) of revenue over expenses	$ (525,907)	$ 42,826	$ (483,081)

12. Allocation of expenses:

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

2016	Salaries and benefits	Volunteer-related expenses	Other operating expenses	Total
Emily's House	$ 1,510,587	$ 472	$ 329,101	$ 1,840,160
Children and family	166,388	132	44,402	210,922
Visiting hospice	225,443	42,305	23,053	290,801
Bereavement and spiritual care	103,442	–	12,633	116,075
Development and promotion	93,297	129	94,414	187,840
Administration	171,954	257	71,423	243,634
	$ 2,271,111	$ 43,295	$ 575,026	$ 2,889,432

2015	Salaries and benefits	Volunteer-related expenses	Other operating expenses	Total
Emily's House	$ 1,478,504	$ 3,766	$ 375,881	$ 1,858,151
Children and family	150,495	248	49,983	200,726
Visiting hospice	195,268	31,850	28,597	255,715
Bereavement and spiritual care	97,230	138	17,008	114,376
Development and promotion	93,711	1,141	149,979	244,831
Administration	175,213	2,222	74,223	251,658
	$ 2,190,421	$ 39,365	$ 695,671	$ 2,925,457