

Financial Statements of

**PHILIP AZIZ CENTRE FOR
HOSPICE CARE**

Year ended March 31, 2018



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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, 2018, 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.



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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, 2018 and March 31, 2017, any adjustments might be necessary to donation revenue and excess of revenue over expenses reported in the statements of operations, excess 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, 2017.

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, 2018, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 30, 2018
Vaughan, Canada

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 151,844	\$ 34,993
Short-term investment (note 2)	18,503	8,045
Accounts receivable	7,776	1,361
Sales taxes refundable	27,567	23,101
Prepaid expenses, deposits and other	26,177	84,627
	<u>231,867</u>	<u>152,127</u>
Capital assets (note 3)	6,387,693	6,477,862
	<u>\$ 6,619,560</u>	<u>\$ 6,629,989</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 236,954	\$ 224,335
Government remittances payable	52,929	49,202
Notes payable (note 4)	—	30,000
Deferred contributions - general (note 5)	8,575	83,562
	<u>298,458</u>	<u>387,099</u>
Deferred contributions (note 6)	5,953,155	6,089,498
	<u>6,251,613</u>	<u>6,476,597</u>
Fund balances:		
General fund	152,889	237,413
Emily's House operating fund	215,058	(84,021)
	<u>367,947</u>	<u>153,392</u>
Going concern (note 1(a))		
Commitments (note 10)		
	<u>\$ 6,619,560</u>	<u>\$ 6,629,989</u>

See accompanying notes to financial statements.

On behalf of the Board:



Louise Summerhill
Board Chair



Peter Goulos
Finance Committee Chair

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Donations and fundraising	\$ 1,410,562	\$ 1,019,377
Government funding	1,960,366	1,939,808
Amortization of deferred contributions (note 6)	226,343	243,533
Interest and sundry	5,654	3,869
	<u>3,602,925</u>	<u>3,206,587</u>
Expenses:		
Emily's House - client care and support	2,099,778	1,875,233
Children and family	227,641	199,869
Visiting hospice	247,115	268,548
Bereavement and spiritual care	99,881	105,794
Development and promotion	191,023	147,158
Administration	254,133	244,812
Amortization	268,799	268,771
	<u>3,388,370</u>	<u>3,110,185</u>
Excess of revenue over expenses	<u>\$ 214,555</u>	<u>\$ 96,402</u>
Allocated as follows:		
Emily's House operating fund (note 11)	\$ 299,079	\$ 128,954
General fund (note 11)	(84,524)	(32,552)
	<u>\$ 214,555</u>	<u>\$ 96,402</u>

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

			2018	2017
	General fund	Emily's House operating fund	Total	Total
Balance, beginning of year	\$ 237,413	\$ (84,021)	\$ 153,392	\$ 56,990
Excess (deficiency) of revenue over expenses	(84,524)	299,079	214,555	96,402
Balance, end of year	\$ 152,889	\$ 215,058	\$ 367,947	\$ 153,392

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 214,555	\$ 96,402
Items not involving cash:		
Amortization	268,799	268,771
Loss on disposal of capital assets	664	-
Amortization of deferred contributions	(226,343)	(243,533)
Notes payable forgiveness	-	(10,000)
Deferred contributions redesignated as donation revenue	(259,405)	(39,817)
	(1,730)	71,823
Change in non-cash operating working capital:		
Accounts receivable	(6,415)	1,184
Sales taxes refundable	(4,466)	(613)
Prepaid expenses, deposits and other	58,450	(61,787)
Accounts payable and accrued liabilities	12,619	37,058
Government remittances payable	3,727	6,200
	62,185	53,865
Financing activities:		
Receipts of deferred contributions	274,418	104,942
Repayment of notes payable	(30,000)	(112,000)
	244,418	(7,058)
Investing activities:		
Purchase of capital assets	(179,294)	(55,336)
Decrease (increase) in short-term investment	(10,458)	32,376
	(189,752)	(22,960)
Increase in cash	116,851	23,847
Cash, beginning of year	34,993	11,146
Cash, end of year	\$ 151,844	\$ 34,993

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements

Year ended March 31, 2018

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, 2018

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, 2018

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, 2018

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:

The short-term investment is in a form of a guaranteed investment certificate and matures on July 30, 2018 with interest of 0.45% and is cashable on demand.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Capital assets:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and equipment	\$ 891,236	\$ 668,045	\$ 223,191	\$ 251,932
Software	51,447	37,929	13,518	17,675
Leasehold improvements	6,836,234	685,250	6,150,984	6,208,255
	<u>\$ 7,778,917</u>	<u>\$ 1,391,224</u>	<u>\$ 6,387,693</u>	<u>\$ 6,477,862</u>

Included in leasehold improvements is \$73,890 in work-in-process.

4. Notes payable:

	2018	2017
Unsecured, due on demand, non-interest bearing	\$ —	\$ 30,000

These amounts due to directors of the Hospice are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. During the year, these amounts were repaid.

5. Deferred contributions - general:

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

	2018	2017
Balance, beginning of year	\$ 83,562	\$ 3,437
Additions	184,418	104,942
Redesignated as donation revenue	(259,405)	(24,817)
<u>Balance, end of year</u>	<u>\$ 8,575</u>	<u>\$ 83,562</u>

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2018

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:

	2018			2017
	Donations	Government assistance	Total	Total
Balance, beginning of year	\$ 4,225,997	\$ 1,863,501	\$ 6,089,498	\$ 6,348,031
Additions	90,000	–	90,000	–
Redesignated as donation revenue	–	–	–	(15,000)
Amortized as revenue	(153,913)	(72,430)	(226,343)	(243,533)
Balance, end of year	\$ 4,162,084	\$ 1,791,071	\$ 5,953,155	\$ 6,089,498

Unspent deferred capital contributions as at year-end were \$9,891 (2017 - \$8,045).

7. 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 (2017 - nil). 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, 2018:

(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.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 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.

9. Economic dependency:

During the year, the Hospice received the majority 65% (2017 - 72%) of its contributions from the Ontario Ministry of Health and two other donors (2017 - two).

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.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2018

11. Statement of operations by fund:

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
	2,998,009	604,916	3,602,925
Expenses:			
Emily's House	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
	2,698,930	689,440	3,388,370
Excess (deficiency) of revenue over expenses	\$ 299,079	\$ (84,524)	\$ 214,555

2017	Emily's House operating fund	General fund	Total
Revenue:			
Donations and fundraising	\$ 741,282	\$ 278,095	\$ 1,019,377
Government funding	1,582,194	357,614	1,939,808
Amortization of deferred contributions	224,744	18,789	243,533
Interest and sundry	1,500	2,369	3,869
	2,549,720	656,867	3,206,587
Expenses:			
Emily's House	1,875,233	—	1,875,233
Children and family	—	199,869	199,869
Visiting hospice	—	268,548	268,548
Bereavement and spiritual care	—	105,794	105,794
Development and promotion	106,092	41,066	147,158
Administration	192,335	52,477	244,812
Amortization	247,106	21,665	268,771
	2,420,766	689,419	3,110,185
Excess (deficiency) of revenue over expenses	\$ 128,954	\$ (32,552)	\$ 96,402

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2018

12. Allocation of expenses:

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

2018	Salaries and benefits	Volunteer-related expenses	Other operating expenses	Total
Emily's House	\$ 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

2017	Salaries and benefits	Volunteer-related expenses	Other operating expenses	Total
Emily's House	\$ 1,571,476	\$ —	\$ 303,757	\$ 1,875,233
Children and family	154,497	1,009	44,363	199,869
Visiting hospice	199,786	47,148	21,614	268,548
Bereavement and spiritual care	88,092	—	17,702	105,794
Development and promotion	95,238	225	51,695	147,158
Administration	177,604	451	66,757	244,812
	\$ 2,286,693	\$ 48,833	\$ 505,888	\$ 2,841,414