

**The Dorothy Ley Hospice**  
**Audited Financial Statements**  
**March 31, 2018**



**Clarkson Rouble LLP**  
Chartered Professional Accountants

## **Independent Auditor's Report**

To the board of directors of  
**The Dorothy Ley Hospice**

### **Report of the Financial Statements**

We have audited the accompanying financial statements of **The Dorothy Ley Hospice**, which comprise the statement of financial position as at **March 31, 2018** and the statements of operations and changes in fund balances and cash flows for the year then ended, and 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.

### **Auditor's 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 plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers 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.

**Basis for Qualified Opinion**

In common with many not-for-profit organizations, the organization derives revenue from fundraising activities and 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 and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenditures, assets and net assets.

**Qualified Opinion**

In our opinion, except for the effects of such adjustments, if any, which might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at **March 31, 2018** and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Mississauga, Ontario  
June 25, 2018

*Clarkson Rouble LLP*

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



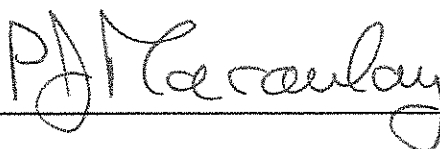
**The Dorothy Ley Hospice**  
(Incorporated as a corporation without share capital under the laws of Ontario)

**Statement of Financial Position**  
*As at March 31*

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term deposits	\$ 630,267	\$ 587,397
Cash and short-term deposits - restricted (Note 2)	506,409	307,961
Accounts receivable	19,892	32,633
HST recoverable	27,520	8,505
Prepaid expenses	51,638	54,662
	<b>1,235,726</b>	<b>991,158</b>
Capital assets (Note 3)	5,337,180	5,546,930
	<b>\$ 6,572,906</b>	<b>\$ 6,538,088</b>
<b>Liabilities and fund balances</b>		
<b>Current liabilities</b>		
Accounts payable and accruals	\$ 122,331	\$ 134,794
Deferred grant revenue (Note 4)	598,619	310,581
Deferred contributions (Note 5)	60,068	26,932
Current portion of long-term debt (Note 9)	1,296,762	61,587
	<b>2,077,780</b>	<b>533,894</b>
Long-term debt (Note 9)	-	1,298,730
	<b>2,077,780</b>	<b>1,832,624</b>
<b>Retained earnings</b>	<b>4,495,126</b>	<b>4,705,464</b>
	<b>\$ 6,572,906</b>	<b>\$ 6,538,088</b>

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

Approved by **The Dorothy Ley Hospice:**

  
\_\_\_\_\_

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

**Statement of Operations and Changes in Fund Balances**  
for the year ended **March 31, 2018**

	2018	2017
<b>Revenue</b>		
Provincial government funding	\$ 1,961,599	\$ 2,002,754
Contributions	944,880	1,152,533
Investment income	6,399	2,946
Other grants	82,017	73,379
Miscellaneous revenue	38,270	34,659
	<b>3,033,165</b>	<b>3,266,271</b>
<b>Expenses</b>		
Program Costs		
Bereavement	114,861	104,676
Direct care co-ordination	272,183	243,212
Education	180,329	199,039
Other grants	82,017	73,379
Residential	1,131,139	1,078,879
Spiritual care	59,390	85,111
Visiting hospice	40,393	39,501
Day program	12,243	45,378
Other Costs		
Administration	269,495	291,829
Communication	35,303	21,560
Facilities	288,190	254,637
Office	203,225	164,167
Resource development	248,536	256,021
	<b>2,937,304</b>	<b>2,857,389</b>
<b>Excess of revenue over expenditures before amortization</b>	<b>95,861</b>	<b>408,882</b>
<b>Amortization</b>	<b>306,199</b>	<b>298,314</b>
<b>Excess/(deficiency) of revenue over expenses for the year</b>	<b>(210,338)</b>	<b>110,568</b>
<b>Retained earnings, beginning of year</b>	<b>4,705,464</b>	<b>4,594,896</b>
<b>Retained earnings, end of year</b>	<b>\$ 4,495,126</b>	<b>\$ 4,705,464</b>

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

**Statement of Changes in Cash Flows**  
*for the year ended March 31, 2018*

	2018	2017
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses	\$ (210,338)	\$ 110,568
Items not requiring an outlay of cash		
Amortization	306,199	298,314
	95,861	408,882
<b>Net change in working capital items</b>		
Operating working capital		
Account receivable	12,741	(32,633)
HST recoverable	(19,015)	46,854
Prepaid expenses	3,024	(9,759)
Accounts payable	(12,463)	57,460
Deferred grant revenue	200,538	187,692
Deferred contributions	120,636	30,292
<b>Increase (decrease) from operating</b>	401,322	688,788
<b>Investing activities</b>		
Purchase of capital assets	(96,449)	(84,141)
<b>Decrease from investing activities</b>	(96,449)	(84,141)
<b>Financing activities</b>		
Repayment of long term debt	(63,555)	(109,839)
<b>Decrease from financing activities</b>	(63,555)	(109,839)
<b>Increase (decrease) in cash</b>	241,318	494,808
<b>Cash and short-term investments, beginning of year</b>	895,358	400,550
<b>Cash and short-term investments, end of year</b>	\$ 1,136,676	\$ 895,358

## **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 23,789 hours in this fiscal year (23,396 in 2017) to assist the Hospice in carrying out its service activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

#### **Revenue recognition**

The Hospice follows the deferral method of accounting for contributions. Unrestricted contributions and other grants are recognized as revenue when received. Restricted contributions are recognized as revenue in the year in which the related expenses are recognized.

Investment income is recognized as revenue when earned.

Government funding is recognized on a monthly basis over the term of the funding agreement.

Miscellaneous revenue is recognized when it becomes receivable.

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

---

Notes to Audited Financial Statements  
March 31, 2018

---

**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**  
(Incorporated as a corporation without share capital under the laws of Ontario)

---

Notes to Audited Financial Statements  
March 31, 2018

---

**1. Significant Accounting Policies - continued**

**Management uncertainty**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from those estimates. Significant estimates and assumptions are used when accounting for items such as impairment of capital assets and the determination of their useful lives, revenue recognition, contingent liabilities and allowances for amounts receivable.

**2. Cash and short-term deposits - restricted**

The Hospice received donations that are designated for specific capital and operating programs, which have not been completed as of March 31, 2018 and for which funds received are restricted as follows:

	2018	2017
Capital		
Specific capital projects	\$ 91,671	\$ 65,001
Dream campaign	257,845	-
Specific programs	156,892	242,960
	<u>\$ 506,408</u>	<u>\$ 307,961</u>

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

Notes to Audited Financial Statements  
March 31, 2018

**3. Capital assets**

			2018	2017
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Landscaping	\$ 414,467	\$ 181,329	\$ 233,138	253,863
Parking Lot	73,714	43,000	30,714	35,628
Building	5,739,213	1,417,729	4,321,484	4,485,462
Roof	79,358	34,719	44,639	48,607
Elevator mechanical systems	540,966	198,102	342,864	351,034
Residential suites equipment	211,373	83,562	127,811	122,373
Small appliances and dishes	26,752	26,752	-	-
Major appliances	52,489	33,335	19,154	24,403
Computer hardware	168,481	152,321	16,160	28,581
Computer software	8,805	8,805	-	-
Furniture and fixtures	496,345	353,692	142,653	125,917
Telephone system	45,264	37,955	7,309	11,835
Security system	119,599	68,345	51,254	59,227
Website	26,842	26,842	-	-
	<b>\$ 8,003,668</b>	<b>\$ 2,666,488</b>	<b>\$ 5,337,180</b>	<b>\$ 5,546,930</b>

**4. 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, 2018, deferred grant revenue included the following:

	2018	2017
Capital projects	\$ 91,671	\$ 65,001
Dream Capital campaign	257,845	-
Operating grants and donations	92,210	2,620
Specific initiatives	156,893	242,960
	<b>\$ 598,619</b>	<b>\$ 310,581</b>

**5. 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.

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

---

Notes to Audited Financial Statements  
March 31, 2018

---

**6. 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.

**7. 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.

**8. 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.

**9. Long term debt**

In November, 2013, the Hospice entered into a non-revolving credit facility with the Royal Bank of Canada.

The facility has a 5-year term, bears interest at a fixed rate of 3.85% per annum and requires blended monthly principal and interest payments of \$9,569.27. The loan matures on November 22, 2018. 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 \$51,277 has been included in office expenses and charged against the Operating Fund. At March 31, 2018, the balance owing on the facility is \$1,296,762.

Principal amount due over the next year is as follows:

<u>2019</u>	<u>\$ 1,296,762</u>
	<u>\$ 1,296,762</u>

## **10. 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 fixed rate for five years 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 two years the allowance for doubtful accounts has been \$NIL and bad debt expense has been \$NIL (2017 - \$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.

# The Dorothy Ley Hospice

## Schedule A - Schedule of Program Revenue and Expenses – Operating Fund (Incorporated as a corporation without share capital under the laws of Ontario)

### Schedule of Program Revenue and Expenses for the year ended March 31, 2018

	Community Programs	Residential Services	Specific Initiatives	Fundraising and Other	Total
<b>Revenues</b>					
Provincial government funding	\$ 691,477	\$ 1,050,000	\$ 220,121	\$ -	\$ 1,961,598
Contributions	-	-	-	944,880	944,880
Investment income	-	-	-	6,399	6,399
Other grants	-	-	-	82,017	82,017
Miscellaneous revenues	3,070	-	-	35,201	38,271
	694,547	1,050,000	220,121	1,068,497	3,033,165
<b>Expenses</b>					
<b>Program costs</b>					
Bereavement	109,118	5,743	-	-	114,861
Direct care					
co-ordination	272,183	-	-	-	272,183
Education	-	-	180,329	-	180,329
Other grants	-	-	-	82,017	82,017
Residential	-	1,131,139	-	-	1,131,139
Spiritual care	47,513	11,877	-	-	59,390
Volunteer services	32,314	8,079	-	-	40,393
Wellness	11,019	1,224	-	-	12,243
<b>Other costs</b>					
Administration	88,455	88,455	27,820	64,765	269,495
Communication	5,473	6,233	-	23,597	35,303
Facilities	78,096	161,542	-	48,552	288,190
Office	55,940	36,667	-	110,618	203,225
Resource development	-	-	-	248,536	248,536
	700,111	1,450,959	208,149	578,085	2,937,304
<b>Surplus (deficit) before amortization</b>	<b>(5,564)</b>	<b>(400,959)</b>	<b>11,972</b>	<b>490,412</b>	<b>95,861</b>
Amortization					306,199
<b>Deficit</b>					<b>\$ (210,338)</b>