

Financial Statements of

**PHILIP AZIZ CENTRE FOR
HOSPICE CARE**

Year ended March 31, 2015



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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, 2015, 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.



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 contributions, 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, and the predecessor auditors, were not able to determine, respectively, whether, as at and for the years ended March 31, 2015 and March 31, 2014, any adjustments might be necessary to contribution revenue and deficiency of revenue over expenses reported in the statements of operations, 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 the predecessor auditors to qualify their audit opinion on the financial statements as at and for the year ended March 31, 2014.

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, 2015, 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.

Other Matter

The financial statements of Philip Aziz Centre for Hospice Care as at and for the year ended March 31, 2014 were audited by another auditor who expressed a qualified opinion on those statements on June 23, 2014 due to the matter described in the Basis for Qualified Opinion paragraph.

Emphasis of Matter:

Without qualifying our opinion, we draw attention to note 1(a) to the financial statements which indicates that the Hospice has experienced recurring negative cash flows from operating activities and deficiencies of revenue over expenses, and as at March 31, 2015, current liabilities exceeded current assets. These conditions, along with other matters as set forth in note 1(a) in the financial statements, indicates the existence of material uncertainties that may cast significant doubt about the Hospice's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 15, 2015
Toronto, Canada

PHILIP AZIZ CENTRE FOR HOSPICE CARE


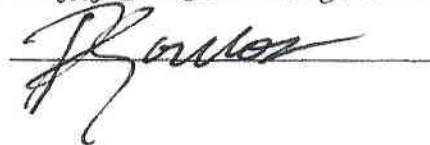
Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash (note 2)	\$ 2,191	\$ 425,779
Accounts receivable	3,739	3,898
Sales taxes refundable	24,824	21,638
Prepaid expenses, deposits and other	29,434	14,785
	60,188	466,100
Capital assets (note 3)	6,873,430	7,126,933
	<u>\$ 6,933,618</u>	<u>\$ 7,593,033</u>
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 195,541	\$ 159,967
Government remittances payable	20,827	54,408
Current portion of notes payable (note 4)	252,263	230,000
Deferred contributions - general (note 5)	78,695	87,037
Bank overdraft (note 7)	57,827	-
	605,153	531,412
Long-term liabilities:		
Long-term portion of notes payable (note 4)	-	30,000
Deferred contributions (note 6)	6,597,087	6,817,162
	6,597,087	6,847,162
Fund balances:		
General fund	244,389	201,563
Emily's House operating fund	(513,011)	12,896
	(268,622)	214,459
Going concern (note 1(a))		
Commitments (note 10)		
	<u>\$ 6,933,618</u>	<u>\$ 7,593,033</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Operations

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Donations and fundraising	\$ 763,015	\$ 744,094
Government funding	1,635,027	1,611,005
Amortization of deferred contributions	295,075	251,873
Interest and sundry	48,655	33,317
	<u>2,741,772</u>	<u>2,640,289</u>
Expenses:		
Emily's House	1,858,151	1,492,023
Children and family	200,726	283,890
Visiting hospice	255,715	219,175
Bereavement and spiritual care	114,376	167,260
Development and promotion	244,831	203,240
Administration	251,658	160,007
Amortization	299,396	232,560
	<u>3,224,853</u>	<u>2,758,155</u>
Deficiency of revenue over expenses	<u>\$ (483,081)</u>	<u>\$ (117,866)</u>
Allocated as follows:		
Emily's House operating fund (note 11)	\$ (525,907)	\$ (64,202)
General fund (note 11)	42,826	(53,664)
	<u>\$ (483,081)</u>	<u>\$ (117,866)</u>

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Changes in Fund Balances

Year ended March 31, 2015, with comparative information for 2014

			2015	2014
	General fund	Emily's House operating fund	Total	Total
Balance, beginning of year	\$ 201,563	\$ 12,896	\$ 214,459	\$ 332,325
Excess (deficiency) of revenue over expenses	42,826	(525,907)	(483,081)	(117,866)
Balance, end of year	\$ 244,389	\$ (513,011)	\$ (268,622)	\$ 214,459

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	\$ (483,081)	\$ (117,866)
Items not involving cash:		
Amortization	299,396	232,560
Amortization of deferred contributions	(295,075)	(251,873)
	(478,760)	(137,179)
Change in non-cash operating working capital:		
Accounts receivable	159	204,534
Sales taxes refundable	(3,186)	215,472
Prepaid expenses, deposits and other	(14,649)	867
Accounts payable and accrued liabilities	35,574	(356,650)
Government remittances payable	(33,581)	25,549
	(494,443)	(47,407)
Financing activities:		
Increase in deferred contributions	66,658	733,832
Proceeds from notes payable	72,263	295,000
Repayment of notes payable	(80,000)	(35,000)
Increase in bank overdraft	57,827	—
	116,748	993,832
Investing activities:		
Increase in development costs	—	(2,291,108)
Purchase of capital assets	(45,893)	(653,510)
Decrease in restricted investments	—	1,300,579
	(45,893)	(1,644,039)
Decrease in cash	(423,588)	(697,614)
Cash, beginning of year	425,779	1,123,393
Cash, end of year	\$ 2,191	\$ 425,779

See accompanying notes to financial statements.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements

Year ended March 31, 2015

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 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 using the going concern basis of presentation 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 the Hospice has experienced recurring negative cash flows from operating activities and deficiencies of revenue over expenses, and as at March 31, 2015, 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 revenues 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. In the near term, the Hospice is dependent on receiving donations to enable it to discharge its obligations. There can be no assurance the Hospice will receive sufficient donations or achieve any of these initiatives. 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.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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 material adjustments may be necessary to the carrying value of assets and liabilities.

(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 period 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.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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 in the accounts using the straight-line method and annual rates:

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

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions based on currently available information. Such 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 its bonds and debentures 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 period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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

(k) Related party transactions:

Monetary-related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

2. Cash:

	2015	2014
General fund - unrestricted cash	\$ 165,758	\$ 412,883
Emily's House operating fund - internally restricted cash (overdraft)	(163,567)	12,896
	\$ 2,191	\$ 425,779

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 6,688,310	\$ 258,742	\$ 6,429,568	\$ 6,545,811
Software	30,658	27,938	2,720	2,942
Furniture and equipment	731,840	290,698	441,142	578,180
	\$ 7,450,808	\$ 577,378	\$ 6,873,430	\$ 7,126,933

4. Notes payable:

	2015	2014
Unsecured, due on demand including interest calculated at a rate of 8%, maturing December 31, 2015	\$ 150,000	\$ 190,000
Unsecured, non-interest bearing, maturing December 31, 2015	30,000	70,000
Unsecured, non-interest bearing, maturing December 31, 2015	60,000	—
	240,000	260,000
Add accrued interest	12,263	—
Less current portion	252,263	230,000
	\$ —	\$ 30,000

Two of the Hospice's board of directors members have financed operations through notes payable of \$210,000 (2014 - \$190,000), with accrued interest of \$12,533 (2014 - nil).

Subsequent to year end, \$20,000 of these notes payable were forgiven by a board of director's member.

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

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Deferred contributions - general:

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

	2015	2014
Art of Caring/Jazz It Up	\$ 70,000	\$ 75,350
Hike for Hospice	8,695	11,687
	<u>\$ 78,695</u>	<u>\$ 87,037</u>

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:

	2015		2014	
	Donations	Government assistance	Total	Total
Balance, beginning of year	\$ 4,703,353	\$ 2,113,809	\$ 6,817,162	\$ 6,266,120
Additions	75,000	—	75,000	802,697
Interest	—	—	—	218
Amortized as revenue	(203,581)	(91,494)	(295,075)	(251,873)
Balance, end of year	<u>\$ 4,574,772</u>	<u>\$ 2,022,315</u>	<u>\$ 6,597,087</u>	<u>\$ 6,817,162</u>

Misspent deferred capital contributions as at year-end were \$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 prime rate plus 1.5% per annum. From November 1, 2014 to May 1, 2015, the credit limit for this facility is \$300,000. The amount outstanding under this facility at year end is \$57,827 (2014 - nil).

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

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, 2015:

(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.

(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.

(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 risk is minimal. This assessment has changed since last year because the Hospice liquidated their fixed rate investments removing any interest rate risk.

9. Economic dependency:

During the year, the Hospice received the majority 73% (2014 - 73%) of its contributions from the Ontario Ministry of Health and one other donor.

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

10. Commitments:

The Hospice has entered into a long-term lease with Bridgepoint Health 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:

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
	<u>1,977,155</u>	<u>764,617</u>	<u>2,741,772</u>
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
	<u>2,503,062</u>	<u>721,791</u>	<u>3,224,853</u>
Excess (deficiency) of revenue over expenses	\$ (525,907)	\$ 42,826	\$ (483,081)

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

11. Statement of operations by fund (continued):

2014	Emily's House operating fund	General fund	Total
Revenue:			
Donations and fundraising	\$ 504,425	\$ 428,734	\$ 933,159
Government funding	1,178,394	272,386	1,450,780
Amortization of deferred contributions	204,936	46,937	251,873
Interest and sundry	600	3,877	4,477
	<u>1,888,355</u>	<u>751,934</u>	<u>2,640,289</u>
Expenses:			
Emily's House	1,492,023	–	1,492,023
Children and family	–	283,890	283,890
Visiting hospice	–	219,175	219,175
Bereavement and spiritual care	–	167,260	167,260
Development and promotion	157,910	45,330	203,240
Administration	109,044	50,963	160,007
Amortization	193,580	38,980	232,560
	<u>1,952,557</u>	<u>805,598</u>	<u>2,758,155</u>
Deficiency of revenue over expenses	\$ (64,202)	\$ (53,664)	\$ (117,866)

12. Allocation of expenses:

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

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	137	17,008	114,375
Development and promotion	93,711	1,142	149,979	244,832
Administration	175,213	2,222	74,223	251,658
	<u>\$ 2,190,421</u>	<u>\$ 39,365</u>	<u>\$ 695,671</u>	<u>\$ 2,925,457</u>

PHILIP AZIZ CENTRE FOR HOSPICE CARE

Notes to Financial Statements (continued)

Year ended March 31, 2015

12. Allocation of expenses:

2014	Salaries and benefits	Volunteer-related expenses	Other operating expenses	Total
Emily's House	\$ 1,278,970	\$ 3,500	\$ 209,553	\$ 1,492,023
Children and family	107,703	20,294	155,893	283,890
Visiting hospice	175,318	10,026	33,831	219,175
Bereavement and spiritual care	112,988	2,000	52,272	167,260
Development and promotion	85,000	2,000	116,240	203,240
Administration	126,337	2,000	31,670	160,007
	<u>\$ 1,886,316</u>	<u>\$ 39,820</u>	<u>\$ 599,459</u>	<u>\$ 2,525,595</u>

13. Comparative information:

Certain comparative information have been reclassified to conform with the financial statement presentation adopted in the current year.