
NESHAMA HOSPICE

AUDIT RESULTS REPORT

March 31, 2019

Pennylegion | Chung LLP

C H A R T E R E D P R O F E S S I O N A L A C C O U N T A N T S

August 19, 2019

The Board of Directors
Neshama Hospice
336 Spadina Road Unit 302
Toronto, Ontario
M5R 2V8

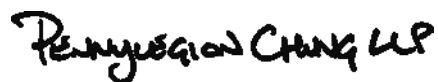
To the Board of Directors of Neshama Hospice,

We are pleased to report that we have substantially completed our audit of the financial statements of Neshama Hospice (Neshama) for the year ended March 31, 2019. The enclosed report is meant to assist us in engaging in effective two-way communication regarding our financial statement audit and to assist the Board in understanding the results of our audit procedures.

The information in this report is intended solely for the information and use of management and those charged with governance. It is not intended to be, and should not be, used by anyone other than these specified parties.

We would be pleased to answer any questions you may have about these or any other audit-related matters.

Yours truly,



Chartered Professional Accountants
Licensed Public Accountants

STATUS OF AUDIT

As of the date of this report, we have substantially completed the audit of the financial statements of Neshama for the year ended March 31, 2019. The remaining outstanding items as at the date of this report are:

- Inquiries regarding subsequent events will be updated to the date of approval of the financial statements
- The financial statements must be approved by the Board of Directors
- The management representation letter must be signed and returned to us

Following the completion of these outstanding items, we expect to issue an unqualified audit opinion of the financial statements for Neshama for the year ended March 31, 2019.

AUDIT RESULTS

Going concern	It is management's assessment that Neshama is a going concern. We agree with this assessment because management has demonstrated Neshama's ability to carry on operations for the foreseeable future and we noted no events or conditions that may cast significant doubt on Neshama's ability to continue as a going concern.
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Fraud and illegal acts	Based on the procedures we performed, we did not detect any fraudulent or illegal activities, or material misstatements resulting from fraudulent or illegal activities during our audit.
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Audit adjustments and uncorrected misstatements	There were no significant audit adjustments and no uncorrected misstatements detected during the audit.
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Accounting policies	There were no changes to the accounting policies used by Neshama during the year. In our opinion, the accounting policies used are reasonable and in accordance with Canadian accounting standards for not-for-profit organizations.
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Accounting estimates	Based on audit procedures that we performed, estimates made by management appear reasonable.
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Unadjusted disclosure deficiencies	We noted no disclosure deficiencies in the financial statements.
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EFFECTIVENESS OF COMMUNICATION DURING THE AUDIT

Communications with management were adequate for the purposes of the audit. Management responded openly to all of our questions in connection with the audit and were forthcoming with information relating to preparation of the financial statements.

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS

<p style="text-align: center;">Area of audit focus</p>	<p style="text-align: center;">Our comments</p>
<p>Revenue recognition of contributions</p> <p>We performed audit procedures to assess the classification of contributions received as unrestricted or restricted.</p> <p>We performed audit procedures to verify that amounts recognized as revenue from deferred contributions were recognized appropriately.</p> <p>We performed audit procedures to verify that contributions were recognized in the appropriate fiscal period.</p>	<p>Externally restricted contributions received for the purpose of purchasing non-depreciable capital assets, such as land, are recognized as a direct increase to net assets. Externally restricted contributions received for the purpose of purchasing depreciable capital assets are recognized as deferred capital contributions. Unrestricted contributions are recognized as revenue upon receipt of the funds.</p> <p>Based on our review of supporting documentation, such as donor and grant agreements, contributions were appropriately classified and recognized in the financial statements.</p> <p>Based on our review of eligible expenses used to support the recognition of deferred contributions as revenue, the amounts recognized appear appropriate.</p> <p>Based on our review of subsequent events and reconciliation of agreements to the general ledger, contribution revenue recognized in the year appears appropriate.</p>
<p>Demand loan</p> <p>During the year, the organization received a demand loan in the amount of \$1 million, which was obtained for the purpose of purchasing land and paying for pre-development costs.</p>	<p>Based on our review of the confirmation received from the loan issuer and loan agreement, the terms and conditions of the demand loan are appropriately classified and recognized in the financial statements.</p>
<p>Recognition of capital assets</p> <p>We performed procedures to assess the appropriateness of amounts recognized as capital assets.</p>	<p>During the year, the organization adopted an accounting policy to capitalize all interest related to the demand loan used to purchase the properties acquired in the year. This accounting policy and the amount capitalized have been disclosed in the notes to the financial statements.</p> <p>The purchase price recognized by management includes the value of the land and building acquired. The building will be demolished for the purposes of constructing the new hospice and therefore has no future service potential. An adjustment to write off the value of the building from the purchase price was recorded.</p> <p>Based on audit procedures performed, we have no issues to report.</p>

SIGNIFICANT AUDIT, ACCOUNTING AND REPORTING MATTERS (CONTINUED)

Interfund transfer During the year, the Board of Directors approved an interfund transfer from unrestricted net assets to internally restricted net assets in the amount of \$1,178,444.	The disclosures related to the interfund transfer included in the notes to the financial statements are appropriate.
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INTERNAL CONTROL OVER FINANCIAL REPORTING

As part of the audit, we obtained an understanding of the internal controls in place and evaluated the design of these controls. We did not however rely on any of these controls for the purposes of our audit nor determine if these controls were operating effectively. Based on our understanding of Neshama's internal control environment, we have no recommendations.

OTHER COMMUNICATIONS

Audit strategy and scope	Please refer to our engagement letter and audit planning letter dated March 23, 2019. There have been no significant changes regarding our audit from the Audit Planning Report previously presented to you.
Related party transactions	We have not identified any undisclosed related party transaction. The guarantee of the demand loan by a Board Director has been disclosed in the financial statements. .
Disagreements with management	None.
Legal and regulatory compliance	Our procedures were not designed to address instances of non-compliance, however based on our audit, none were noted.
