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**NESHAMA HOSPICE**

**FINANCIAL STATEMENTS**

**MARCH 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Neshama Hospice,

### Opinion

We have audited the financial statements of Neshama Hospice (the organization), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Neshama Hospice as at March 31, 2019 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.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## INDEPENDENT AUDITOR'S REPORT (continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Pemylegion Chung LLP*

Chartered Professional Accountants  
Licensed Public Accountants

September 11, 2019  
Toronto, Ontario

# NESHAMA HOSPICE

## STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash	\$ 311,302	\$ 213,467
HST rebate recoverable	33,771	12,406
Prepaid expenses	<u>1,167</u>	<u>-</u>
	346,240	225,873
Capital assets (note 3)	<u>4,463,933</u>	<u>-</u>
	<u>\$ 4,810,173</u>	<u>\$ 225,873</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Demand loan (note 4)	\$ 1,000,000	\$ -
Accounts payable and accrued liabilities	183,183	10,700
Deferred contributions (note 5)	<u>-</u>	<u>215,036</u>
	1,183,183	225,736
Deferred capital contributions (note 6)	<u>300,000</u>	<u>-</u>
	<u>1,483,183</u>	<u>225,736</u>
Net assets		
Restricted contributions for land	2,070,000	-
Internally restricted	1,178,444	-
Unrestricted	<u>78,546</u>	<u>137</u>
	<u>3,326,990</u>	<u>137</u>
	<u>\$ 4,810,173</u>	<u>\$ 225,873</u>

Approved on behalf of the Board:

\_\_\_\_\_, Director

\_\_\_\_\_, Director

see accompanying notes

# NESHAMA HOSPICE

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2019

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<b>2019</b>	Unrestricted	Internally restricted	Restricted contributions for land	Total
Net assets, beginning of year	\$ 137	\$ -	\$ -	\$ 137
Restricted contributions restricted for the purchase of land (note 3)	-	-	2,070,000	2,070,000
Transfer from unrestricted to internally restricted (note 7)	(1,178,444)	1,178,444	-	-
Excess of revenue over expenses for the year	<u>1,256,853</u>	<u>-</u>	<u>-</u>	<u>1,256,853</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 78,546</u>	<u>\$ 1,178,444</u>	<u>\$ 2,070,000</u>	<u>\$ 3,326,990</u>
<b>2018</b>	Unrestricted			
Net assets, beginning of period	\$ -			
Excess of revenue over expenses for the period	<u>137</u>			
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 137</u>			

see accompanying notes

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# NESHAMA HOSPICE

## STATEMENT OF OPERATIONS

### FOR THE YEAR ENDED MARCH 31, 2019

(with comparative amounts for the period July 1, 2017 to March 31, 2018)

	<b>2019</b>	<b>2018</b>
<b>REVENUE</b>		
Contributions		
Foundations	\$ 1,302,975	\$ 21,090
St. Elizabeth Community Enterprises	65,036	-
Other	<u>59,535</u>	<u>48,030</u>
	<u>1,427,546</u>	<u>69,120</u>
<b>EXPENSES</b>		
Consulting fees	96,064	60,222
Property maintenance	13,929	-
Professional fees	13,851	5,059
Office and administration	6,849	3,702
Other (note 3)	<u>40,000</u>	<u>-</u>
	<u>170,693</u>	<u>68,983</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE PERIOD</b>	<u><u>\$ 1,256,853</u></u>	<u><u>\$ 137</u></u>

see accompanying notes

# NESHAMA HOSPICE

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

(with comparative amounts for the period July 1, 2017 to March 31, 2018)

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses for the period	\$ 1,256,853	\$ 137
Net change in non-cash working capital items (see below)	<u>(65,085)</u>	<u>138,326</u>
Net cash generated from operating activities	<u>1,191,768</u>	<u>138,463</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of capital assets	<u>(4,463,933)</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from demand loan	1,000,000	-
Capital contributions received	<u>2,370,000</u>	<u>-</u>
Net cash generated from financing activities	<u>3,370,000</u>	<u>-</u>
<b>NET INCREASE IN CASH FOR THE PERIOD</b>	97,835	138,463
Cash, beginning of the period	<u>213,467</u>	<u>75,004</u>
<b>CASH, END OF THE PERIOD</b>	<u>\$ 311,302</u>	<u>\$ 213,467</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
HST rebate recoverable	\$ (21,365)	\$ (6,398)
Prepaid expenses	(1,167)	-
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	172,483	(5,276)
Deferred contributions	<u>(215,036)</u>	<u>150,000</u>
	<u>\$ (65,085)</u>	<u>\$ 138,326</u>

see accompanying notes

# NESHAMA HOSPICE

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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Neshama Hospice (the organization) is incorporated under the Canada Not-for-profit Corporations Act without share capital. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

The organization's purpose is to provide hospice facility services to terminally ill patients and emotional support for these patients and their families.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

#### **Revenue recognition**

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

- i) The organization follows the deferral method of revenue recognition for contributions, which include externally restricted grants and donations. Contributions related to current expenses are reflected in the accounts as revenue in the current year. Contributions received in the year for expenses to be incurred in the following fiscal year are recorded as deferred contributions. Contributions related to the purchase of depreciable capital assets are recorded as revenue in the same period and on the same basis as the related assets are charged to operations. Contributions related to the purchase of non-depreciable capital assets are recognized as direct increases to net assets. Fundraising and unrestricted donation revenue is recognized when funds are received.
- ii) Donated materials and services which are normally purchased by the organization are not recorded in the accounts.

#### **Capitalized interest**

The organization capitalizes interest related to the loan payable used to purchase capital assets.

### 2. FINANCIAL INSTRUMENTS

The organization records financial instruments, which include cash, accounts payable and accrued liabilities and a demand loan, initially at fair value. With the exception of cash, all other financial instruments are subsequently recorded at amortized cost net of any provisions for impairment in value.



# NESHAMA HOSPICE

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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### 3. CAPITAL ASSETS

Capital assets are as follows:

	Cost	Accumulated Amortization	2019 Net	2018 Net
Land				
25 Brightwood St.	\$ 3,175,957	\$ -	\$ 3,175,957	\$ -
3 Cadillac Ave.	982,487	-	982,487	-
5 Cadillac Ave. (deposit)	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Total land	4,208,444	-	4,208,444	-
Construction in progress	<u>255,489</u>	<u>-</u>	<u>255,489</u>	<u>-</u>
	<u>\$ 4,463,933</u>	<u>\$ -</u>	<u>\$ 4,463,933</u>	<u>\$ -</u>

Externally restricted contributions of \$2,070,000 were received to purchase the land during the year and were recorded as a direct increases to net asses.

During the year, the organization purchased land and building at 3 Cadillac Avenue. Of the total purchase price, \$40,000 related to the building, which will be demolished when construction of the new hospice commences. As such, the full cost of the building has been written down in the year and is included in other expenses.

Construction in progress includes capitalized interest of \$29,270 and pre-development costs funded by the Ontario Ministry of Health of \$226,219.

### 4. DEMAND LOAN

The organization has a credit agreement with the organization's banker for the following credit facilities:

- (a) a demand loan of \$1,000,000 that bears interest at bank prime rate plus 1% per annum, secured by the properties at 25 Brightwood St. and 3 Cadillac Ave. and guaranteed by a board member of the organization for 50% of the outstanding amount at the time of demand (2018 - \$0). A principal payment of \$250,000 will be due on this demand loan if the organization does not secure necessary approvals from The City of Toronto to develop the property into a hospice by December 31, 2019 and subsequent to the year end this date was extended to June 30, 2020. If the lender does not approve development financing for the properties purchased by Neshama Hospice by June 30, 2020 the lender is entitled to accelerate the repayment of the facilities and subsequent to the year end this date was extended to December 31, 2020. Subsequent to year end, the demand loan was increased by \$650,000 for the purpose of purchasing a third property.
- (b) an unused pre-development demand loan with a limit of \$200,000 that bears interest at bank prime rate plus 1% per annum (2018 - \$0).

# NESHAMA HOSPICE

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2019

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### 5. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for future expenses in future years are as follows:

	2019	2018
Janet Cottrelle Foundation	\$ -	\$ 100,000
St. Elizabeth Community Enterprises	-	65,036
Ganz Family Foundation	<u>-</u>	<u>50,000</u>
	<u>\$ -</u>	<u>\$ 215,036</u>

Continuity of deferred contributions for the period is as follows:

Deferred contributions, beginning of the period	\$ 215,036	\$ 65,036
Add cash received from contributions	-	150,000
Less contributions recognized as revenue	<u>(215,036)</u>	<u>-</u>
Deferred contributions, end of the period	<u>\$ -</u>	<u>\$ 215,036</u>

### 6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of depreciable capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. Changes in the deferred capital contributions balance are as follows:

	2019	2018
Deferred capital contributions, beginning of period	\$ -	\$ -
Contributions received restricted for purchase of capital assets	<u>300,000</u>	<u>-</u>
Deferred capital contributions, end of period	<u>\$ 300,000</u>	<u>\$ -</u>

### 7. INTERFUND TRANSFER

During the year, the Board of Directors approved a transfer of \$1,178,444 from unrestricted net assets to internally restricted net assets.

### 8. COMPARATIVE FINANCIAL INFORMATION

Revenue for the year ended March 31, 2018 has been reclassified to conform with the basis of presentation adopted in 2019.