Grant Thornton

Financial Statements

Neshama Hospice

March 31, 2020

Contents

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Independent Auditor's Report

To the Directors 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, 2020, 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 the Organization as at March 31, 2020, 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 ("ASNPO").

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.

Other matter

The financial statements of the Organization were audited by another auditor for the year ended March 31, 2019, who expressed an unqualified opinion on those statements on September 11, 2019.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with ASNPO, 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.

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 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.

Grant Thornton LLP

Toronto, Canada
September 15, 2020

Chartered Professional Accountants
Licensed Public Accountants

Neshama Hospice
Statement of Financial Position

As at March 31	**2020**	2019
Assets		
Current		
Cash	**$ 612,250**	$ 311,302
HST rebate recoverable	**17,532**	33,771
Prepaid expenses	**-**	1,167
	629,782	346,240
Capital assets (Note 3)	**5,866,170**	4,463,933
	$ 6,495,952	$ 4,810,173
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 4)	**$ 171,406**	$ 183,183
Demand loan (Note 5)	**1,650,000**	1,000,000
	1,821,406	1,183,183
Deferred capital contributions (Note 6)	**300,000**	300,000
	2,121,406	1,483,183
Net assets		
Unrestricted	**156,102**	78,546
Internally restricted	**4,218,444**	3,248,444
	4,374,546	3,326,990
	$ 6,495,952	$ 4,810,173

On behalf of the Board of Directors

____________________ Director ____________________ Director

See accompanying notes to the financial statements

Neshama Hospice
Statement of Operations

Year ended March 31	2020	2019
Revenue		
Contributions		
Foundations	**$ 458,955**	$ 1,302,975
Other	**42,865**	59,535
St. Elizabeth Community Enterprises	**-**	65,036
	501,820	1,427,546
Expenses		
Project management	**92,370**	45,653
Fundraising consulting fees	**49,891**	50,411
Professional and communication fees	**47,249**	13,851
Property maintenance	**23,390**	13,929
Office and administration	**11,364**	6,849
Write-down of buildings (Note 3)	**200,000**	40,000
	424,264	170,693
Excess of revenue over expenses	**$ 77,556**	$ 1,256,853

See accompanying notes to the financial statements

Neshama Hospice
Statement of Changes in Net Assets
Year ended March 31, 2020

	Unrestricted	Internally restricted	**2020 Total**	2019 Total
Net assets, beginning of year	$ 78,546	$ 3,248,444	**$ 3,326,990**	$ 137
Restricted contributions for the purchase of land	-	970,000	**970,000**	2,070,000
Excess of revenue over expenses	77,556	-	**77,556**	1,256,853
Net assets, end of year	$ 156,102	$ 4,218,444	**$ 4,374,546**	$ 3,326,990

See accompanying notes to the financial statements

Neshama Hospice
Statement of Cash Flows

Year ended March 31	2020	2019
Increase (decrease) in cash		
Operating		
Excess of revenue over expenses	**$ 77,556**	$ 1,256,853
Change in non-cash working capital items		
HST rebate recoverable	**16,239**	(21,365)
Prepaid expenses	**1,167**	(1,167)
Accounts payable and accrued liabilities	**(11,777)**	172,483
Deferred contributions	**-**	(215,036)
	83,185	1,191,768
Investing		
Purchase of capital assets	**(1,402,237)**	(4,463,933)
Financing		
Proceeds from demand loan	**650,000**	1,000,000
Restricted contributions for the purchase of land received	**970,000**	2,370,000
	1,620,000	3,370,000
Increase in cash	**300,948**	97,835
Cash		
Beginning of year	**311,302**	213,467
End of year	**$ 612,250**	$ 311,302

See accompanying notes to the financial statements

1. Nature of organization

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.

2. Summary of significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). ASNPO requires entities to select policies appropriate for their circumstances from policies provided in these standards. The significant accounting policies selected by the Organization and applied in these financial statements are summarized below.

Basis of presentation

The accounts are maintained whereby fund balances of the Organization are classified for accounting and reporting purposes into funds to be used as determined by the Organization.

Unrestricted net assets

Unrestricted net assets reflect all general programs and activities, other than those activities listed below.

Internally restricted

Internally restricted net assets reflect the assets, liabilities, revenue and expenses set aside for future strategic purposes by the Board of Directors. Internally restricted net assets include those assets that are invested in capital assets. The amounts invested in capital assets include $3,040,000 (2019 - $2,070,000) of contributions received restricted for the purchase of land that were subsequently used to purchase land.

Revenue recognition

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred when received and recognized as revenue when the related expenses are incurred. Externally restricted contributions for the purchase of capital assets are deferred as deferred capital contributions and recognized as revenue on the same basis as the amortization of the related capital assets. Externally restricted contributions for the purchase of land are recognized as direct increases in net assets.

Donated materials and services which are normally purchased by the Organization are not recorded in the accounts due to the difficulty in determining its fair value.

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. The capital assets of the Organization include land, which is not amortized, and construction-in-progress assets, for which amortization is not required until the related assets are complete and available for use. Construction-in-progress relate substantially to the development of land for the construction of the hospice facility, including interest capitalized relating to the demand loan obtained to assist in the development of the facility.

Financial instruments

The Organization considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Organization's financial instruments are comprised of cash, HST rebate recoverable, accounts payable and demand loan.

The Organization initially measures its financial assets and financial liabilities at fair value and subsequently at amortized cost.

Adoption of new accounting standards

On April 1, 2019, the Organization adopted new accounting standards Section 4433 *Tangible capital assets held by not-for-profit organizations* and Section 4434 *Intangible assets held by not-for-profit organizations* (the "standards"). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

The adoption of the new accounting standards was applied prospectively, except the Organization was permitted to recognize an adjustment to opening net assets at April 1, 2019 to reflect partial impairments of tangible and intangible assets existing at that date. The adoption of these standards did not have any impact on the statement of financial position as at April 1, 2019 and the changes in financial position for the current period.

3. Capital assets

	Cost	Accumulated Amortization	**2020 Net Book Value**	2019 Net Book Value
Land				
25 Brightwood St.	$ 3,175,957	$ -	**$ 3,175,957**	$ 3,175,957
3 Cadillac Ave.	982,487	-	**982,487**	982,487
5 Cadillac Ave.	1,170,262	-	**1,170,262**	50,000
	5,328,706	-	**5,328,706**	4,208,444
Construction-in-progress	537,464	-	**537,464**	255,489
	$ 5,866,170	$ -	**$ 5,866,170**	$ 4,463,933

Externally restricted contributions of $970,000 (2019 - $2,070,000) were received to purchase the land during the year and were recorded as a direct increase to net assets.

During the year, the Organization purchased land and building at 5 Cadillac Avenue (2019 – 3 Cadillac Avenue). Of the total purchase price, $200,000 (2019 – $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 the statement of operations.

Construction-in-progress includes capitalized interest of $73,662 (2019 – $29,270) and pre-development costs funded by the Ontario Ministry of Health of $73,781 (2019 – $226,219). As the assets related to construction-in-progress have not been completed, amortization has not been taken on those assets.

4. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities is $9,395 (2019 – $Nil) of government remittances payable.

5. Demand loan

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

a) A demand loan of $1,650,000 (2019 – $1,000,000) that bears interest at the bank prime rate plus 1% per annum. 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 June 30, 2020. This date was extended subsequent to the year end to December 31, 2020. If the lender does not approve development financing for the properties purchased by the Organization by December 31, 2020, the lender is entitled to accelerate the repayment of the facilities. This date was extended subsequent to year end to June 30, 2021.

b) An unused pre-development demand loan with a limit of $200,000 (2019 – $200,000) that bears interest at the bank prime rate plus 1% per annum.

5. Demand loan (continued)

Both credit facilities are secured by the properties at 25 Brightwood St., 3 Cadillac Ave. and 5 Cadillac Ave. and guaranteed by a board member of the Organization for 50% of the outstanding amount at the time of demand.

6. Deferred capital contributions

	2020	2019
Deferred capital contributions, beginning of year	**$ 300,000**	$ -
Contributions received restricted for purchase of capital assets	**-**	300,000
Deferred capital contributions, end of year	**$ 300,000**	$ 300,000

Deferred capital contributions have been used to purchase the capital assets included in construction-in-progress and thus the deferred capital contributions will not begin amortization until the asset is put into use.

7. Interfund transfer

During the year, the Board of Directors approved a transfer of $Nil (2019 - 1,178,444) from unrestricted net assets to internally restricted net assets.

8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Interest risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest instruments subject the Organization to a fair value risk while the floating rate instruments subject it to a cash flow risk.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect of its accounts payable. The Organization expects to meet these obligations as they come due by generating sufficient cash flows from operations as well as from ongoing and continued support of its donors.

9. Comparative figures

Certain comparatives amounts have been reclassified from those previously presented to conform to the presentation of the 2020 financial statements.

10. COVID-19

Since January 1, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Organization for future periods. At the board approval date, the Organization's major funding agreements have remained unchanged and the Organization is moving forward with its plan to construct the hospice facility.