Financial Statements of

ST. JOSEPH'S-HOSPICE OF LONDON

And Independent Auditors' Report thereon

Year ended March 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of St. Joseph’s-Hospice of London

Qualified Opinion

We have audited the financial statements of St. Joseph's-Hospice of London (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, its results of operations and its changes in fund balances for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many charitable organizations, St. Joseph's-Hospice of London derives revenue from donations, 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 the entity and we were not able to determine whether, as at and for the years ended March 31, 2020 and March 31, 2019, any adjustments might be necessary to contributions, deficiency of revenues over expenses, current assets and net assets. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2019.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 qualified audit 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 18, 2020

ST. JOSEPH'S-HOSPICE OF LONDON

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 516,173	$ 597,227
Accounts receivable	88,059	44,244
Prepaid expenses and deposits	21,556	20,964
Due from related party (note 9)	1,480	33,662
	627,268	696,097
Capital assets (note 4)	2,630,699	2,628,717
Investments (note 3)	677,096	818,505
Endowed investments (note 3)	188,353	204,975
	$ 4,123,416	$ 4,348,294
Liabilities and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 92,540	$ 102,296
Deferred revenue	14,580	24,460
	107,120	126,756
Deferred capital contributions (note 6)	2,569,202	2,569,968
Fund balances:		
Unrestricted	1,147,244	1,337,846
Investment in capital assets (note 8)	61,497	58,749
Endowment	188,353	204,975
Internally restricted	50,000	50,000
	1,447,094	1,651,570
Subsequent event (note 10)		
	$ 4,123,416	$ 4,348,294

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director ____________________ Director

ST. JOSEPH'S-HOSPICE OF LONDON

Statement of Operations

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Home and Community Care	$ 1,068,012	$ 1,070,685
Donations	649,054	401,829
Fundraising	491,053	689,872
Ministry of Health	372,927	344,389
Amortization of deferred capital contributions (note 6)	161,594	185,625
United Way	120,582	133,980
Project specific funding	97,090	37,000
United Way designated	5,031	5,869
Investment income (loss)	(80,222)	31,815
	2,885,121	2,901,064
Expenses:		
Salaries and benefits	2,294,586	2,105,837
Rent	183,405	183,405
Amortization (note 4)	157,469	197,407
Office and administration	146,997	115,622
Fundraising	118,577	123,730
Programs	68,222	84,454
Professional fees	48,956	82,943
Facilities	36,812	24,704
Insurance	13,095	11,365
Bank charges and interest	4,049	3,564
	3,072,168	2,933,031
Loss on sale of capital assets	(17,429)	-
Deficiency of revenue over expenses	$ (204,476)	$ (31,967)

See accompanying notes to financial statements.

ST. JOSEPH'S-HOSPICE OF LONDON

Statement of Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

	Unrestricted	Investment in capital assets	Endowment	Internally restricted	2020 Total	2019 Total
Fund balance, beginning of year	$1,337,846	$ 58,749	$ 204,975	$ 50,000	$ 1,651,570	$ 1,683,537
Excess (deficiency) of revenue over expenses	(197,772)	4,125	(10,829)	-	(204,476)	(31,967)
Interfund transfer	7,170	(1,377)	(5,793)	-	-	-
Fund balance, end of year	$1,147,244	$ 61,497	$ 188,353	$ 50,000	$ 1,447,094	$ 1,651,570

See accompanying notes to financial statements.

ST. JOSEPH'S-HOSPICE OF LONDON

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (204,476)	$ (31,967)
Adjustments for:		
Amortization of capital assets	157,469	197,407
Amortization of deferred capital contributions	(161,594)	(185,625)
Loss on disposal of capital assets	17,429	-
Changes in non-cash operating working capital:		
Accounts receivable	(43,815)	(12,032)
Prepaid expenses	(592)	(10,681)
Accounts payable and accrued liabilities	(9,756)	10,892
Deferred revenue	(9,880)	(49,003)
Related party	32,182	(44,588)
	(223,033)	(125,597)
Financing activities:		
Receipt of deferred capital contributions	160,828	30,292
	160,828	30,292
Investing activities:		
Net change in investments	158,031	491,767
Purchase of capital assets	(176,880)	(43,811)
	(18,849)	447,956
Increase (decrease) in cash and cash equivalents	(81,054)	352,651
Cash, beginning of year	597,227	244,576
Cash and cash equivalents, end of year	$ 516,173	$ 597,227
Represented by:		
Cash	$ 247,033	$ 400,101
Cash equivalents	269,140	197,126
	$ 516,173	$ 597,227

See accompanying notes to financial statements.

1. Nature of operations:

St. Joseph's-Hospice of London (the "Organization") was incorporated in December, 2011 under the laws of Canada as a corporation without share capital. The Organization provides palliative, caregiver, and bereavement support to individuals and families focusing on physical, emotional, social, and spiritual needs. The Organization provides a variety of support programs offered in a client's home or at the facility. In keeping with the Hospice philosophy of care, all programs and services are offered to clients at no cost.

On April 1, 2012, all assets and liabilities of Hospice London Inc., an organization incorporated in October, 1985, were transferred to St. Joseph's-Hospice of London.

2. Significant accounting policies:

The financial statements of the Organization have been prepared by management in accordance with Canadian Accounting Standards for not-for-profit organizations in Part III of the CPA Handbook - Accounting. The significant accounting policies adopted by the Organization are summarized below:

(a) Revenue recognition**:**

The Organization follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the year are accrued. Where a portion of a grant relates to a future year, it is deferred and recognized in the subsequent year. Unspent grants due back to the funding organization are recorded as a liability due back to the funding organization.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred, and when expended, are amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Endowed contributions are recognized as a direct increase in net assets in the year the contribution is received.

2. Significant accounting policies (continued):

(a) Revenue recognition (continued):

Gifts of capital assets, where an income tax receipt has been issued, are recorded at their fair market value on the date of receipt and related contributions are amortized into revenue at a rate corresponding with the amortization rate of the related capital assets.

(b) Contributed services:

Volunteers contribute a significant amount of time each year to assist the Organization in carrying out its fundraising activities. Because of the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

(c) Investments:

Investments consist of short term deposits, pooled investment funds, and equities, all of which are recorded at market value. Pooled investment funds are valued based on reported unit values for each fund.

Investment income, which consists of interest, income distributions from pooled funds and unrealized gains and losses on investments, is recorded as revenue in the statement of operations. Realized gains and losses are recorded as revenue in the statement of operations in the year that investments are sold.

(d) Capital assets:

Capital assets are recorded at cost. Amortization is provided on a straight-line and declining balance basis over the estimated useful lives as follows:

Asset		Rate
Leasehold improvements	Term of lease	30 years
Telephone system	Straight-line	10 years
Furniture and fixtures	Straight-line	5-10 years
Computer equipment	Declining balance	30%

2. Significant accounting policies (continued):

(e) Use of estimates:

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(f) 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 recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. Short-term deposits and endowed investments are carried 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, which 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 Organization 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 Organization 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.

(g) Impairment of long-lived assets:

Long-lived assets are tested for recoverability when events or changes in circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

2. Significant accounting policies (continued):

(h) Change in accounting policy:

In March 2018, the Accounting Standards Board issued "Basis for Conclusions - Accounting Standards Improvements for Not-for-Profit Organizations "resulting in the introduction of a new handbook section in Part III of the Handbook as follows:

Section 4433, Tangible capital assets held by not-for-profit organizations, which directs organizations to apply the accounting guidance of Section 3061, Property Plant and Equipment in Pat II of the Handbook. In doing so, the new section requires that organizations annually assess for partial impairment of tangible capital assets, to be recorded where applicable, as a non-reversible impairment expense. In addition, where practical, to componentize capital assets when estimates can be made of the useful lives of the separate components.

This section is applied on a prospective basis with the exception of the transitional provision to recognize an adjustment to opening net assets for partial impairments of tangible assets that existed at April 1, 2019.

The amendment is effective for financial statements for fiscal years beginning on or after January 1, 2019.

The implementation of these changes had no impact on the financial statements.

3. Investments:

		2020		2019
	Cost	Market	Cost	Market
Short-term investments				
Long-term investments				
Guaranteed investment certificates	$ -	$ -	$ 65,000	$ 65,000
Pooled funds	274,871	266,056	262,766	268,898
Canadian equity	273,004	240,800	294,108	300,034
Foreign equity	194,858	170,240	182,688	184,573
	$ 742,733	$ 677,096	$ 804,562	$ 818,505
Endowed investments				
Guaranteed investment certificates	$ 60,000	$ 60,000	$ 60,000	$ 60,000
Pooled funds	128,733	42,577	42,495	42,245
Canadian equity	59,789	52,372	65,913	65,356
Foreign equity	38,553	33,404	36,758	37,374
	$ 287,075	$ 188,353	$ 205,166	$ 204,975

The guaranteed investment certificates have an effective interest rate of 1.60% to 3.23% (2019 - 1.60% to 3.23%) and mature between August 2019 and August 2021.

The pooled funds hold money market instruments, bonds, and Canadian and foreign equities.

4. Capital assets:

			2020	2019
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	$ 2,881,758	$ 588,984	$ 2,292,774	$ 2,388,833
Telephone system	25,491	15,720	9,771	12,320
Furniture and fixtures	764,768	487,709	277,059	201,530
Computer equipment	119,499	68,404	51,095	26,034
	$ 3,791,516	$ 1,160,817	$ 2,630,699	$ 2,628,717

During the year, amortization of $157,469 (2019 - $197,407) was recorded.

5. Line of credit:

The Organization has a credit agreement with Toronto-Dominion Bank, which includes an operating line of credit of $250,000. The interest rate for the facility is the Canadian bank prime rate. As of March 31, 2020, no funds were drawn on the operating line of credit (2019 - $nil).

6. Deferred capital contributions:

Deferred capital contributions represent the unamortized amounts of grants spent on the purchase of capital assets.

The change in deferred capital contributions consists of the following:

	2020	2019
Balance, beginning year	$ 2,569,968	$ 2,725,301
Receipt of deferred capital contributions	160,828	30,292
Amortization of deferred capital contributions	(161,594)	(185,625)
Balance, end of year	$ 2,569,202	$ 2,569,968

7. Financial risk and concentration of credit risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. The Organization prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to accounts receivable. The Organization assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

8. Investment in capital assets:

Investment in capital assets consists of the following:

	2020	2019
Capital assets	$ 2,630,699	$ 2,628,717
Less amounts financed by:		
Deferred capital contributions	(2,569,202)	(2,569,968)
Investment in capital assets	$ 61,497	$ 58,749

9. Related party transactions:

Related party balances represent amounts receivable from and owing to St. Joseph's Health Care Society.

10. Subsequent event:

During the year, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

(i) Experienced temporary declines in the fair value of investments and investment income.

(ii) Mandatory working from home requirements for those able to do so.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors report which provide additional evidence relating to conditions that existed as at year end. Management has assessed the financial impacts and has concluded that no further adjustments to the financial statements are required as a result.