

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
(OPERATING AS SHEENA'S PLACE)**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

### To the Members of The Hospice For Eating Disorders of Toronto (operating as Sheena's Place)

We have audited the accompanying statement of financial position of The Hospice For Eating Disorders of Toronto (operating as Sheena's Place) (the "Organization") as at December 31, 2016, and the statement of changes in net assets, statement of operations and statement of cash flows for the year ended December 31, 2016 and 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.

### Auditor's 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 of 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 the auditor's 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, the auditor considers 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.

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Independent Auditor's Report

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified opinion.

**Basis for Qualified Opinion**

In common with many charitable organizations, the Organization derives revenues from donations and fundraising events, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization. We were not able to determine what, if any, adjustments might be necessary to revenues, excess (deficiency) of revenues over expenditures, assets and net assets.

**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 the Organization as at December 31, 2016, and the results of its operations and its cash flows for the year ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Segal LLP*

Chartered Professional Accountants  
Licensed Public Accountants

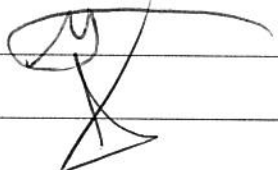
Toronto, Ontario  
June 22, 2017

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
(OPERATING AS SHEENA'S PLACE)**

**STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

	Operating Fund	Endowment Fund	2016	2015
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	\$ 173,543	\$ 117,331	\$ 290,874	\$ 465,340
Harmonized sales taxes receivable	48,794	-	48,794	25,765
Prepaid expense	5,174	-	5,174	4,768
Accounts receivable	-	-	-	4,098
	227,511	117,331	344,842	499,971
Investments, note 3	-	3,091,736	3,091,736	3,153,195
Intangible assets, note 4	24,448	-	24,448	31,273
Property and equipment, note 5	393,827	-	393,827	422,620
	645,786	3,209,067	3,854,853	4,107,059
Interfund due (to) from balances	6,166	(6,166)	-	-
	<u>\$ 651,952</u>	<u>\$ 3,202,901</u>	<u>\$ 3,854,853</u>	<u>\$ 4,107,059</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities, note 6	\$ 29,272	\$ -	\$ 29,272	\$ 28,008
Deferred revenue, note 7	48,512	-	48,512	48,369
Mortgage payable, note 8	12,717	-	12,717	12,664
	90,501	-	90,501	89,041
Mortgage payable, note 8	48,515	-	48,515	61,232
Deferred contributions, note 9	104,442	-	104,442	105,692
	243,458	-	243,458	255,965
<b>NET ASSETS</b>				
Unrestricted	408,494	-	408,494	585,397
Externally restricted	-	2,740,589	2,740,589	2,740,589
Internally restricted	-	462,312	462,312	525,108
	408,494	3,202,901	3,611,395	3,851,094
	<u>\$ 651,952</u>	<u>\$ 3,202,901</u>	<u>\$ 3,854,853</u>	<u>\$ 4,107,059</u>

Approved on behalf of the Organization:

\_\_\_\_\_  
 Director  
 \_\_\_\_\_ Director

See accompanying notes to the financial statements

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
(OPERATING AS SHEENA'S PLACE)**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Operating Fund	Endowment Fund	2016	2015
Net assets, beginning of year	\$ 585,397	\$ 3,265,697	\$ 3,851,094	\$ 3,912,669
Deficiency of revenue over expenditures	(239,699)	-	(239,699)	(61,575)
Interfund transfer increase (decrease), note 10	<u>62,796</u>	<u>(62,796)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 408,494</u>	<u>\$ 3,202,901</u>	<u>\$ 3,611,395</u>	<u>\$ 3,851,094</u>

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
(OPERATING AS SHEENA'S PLACE)**

**STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
<b>Revenues</b>		
Donations, note 12	\$ 202,125	\$ 242,196
Special events	359,259	359,126
Amortization of deferred contributions	11,250	11,250
Other income	<u>6,670</u>	<u>3,882</u>
	<u>579,304</u>	<u>616,454</u>
<b>Expenditures</b>		
Program, note 11	547,477	494,037
Fundraising, note 11	159,211	131,230
Special events	116,509	78,217
General and administrative	96,566	104,440
Amortization	<u>36,443</u>	<u>38,477</u>
	<u>956,206</u>	<u>846,401</u>
<b>Deficiency of revenue over expenditures before endowment income and other expenditures</b>	<u>(376,902)</u>	<u>(229,947)</u>
<b>Endowment income and other expenditures</b>		
Investment income	199,116	336,277
Decrease in fair value of investments	(31,337)	(135,959)
Management fees	<u>(30,576)</u>	<u>(31,946)</u>
	<u>137,203</u>	<u>168,372</u>
<b>Deficiency of revenues over expenditures</b>	<u>\$ (239,699)</u>	<u>\$ (61,575)</u>

See accompanying notes to the financial statements

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
(OPERATING AS SHEENA'S PLACE)**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	2016	2015
<b>Cash flows from operating activities</b>		
<b>Operating activities</b>		
Deficiency of revenues over expenditures	\$ (239,699)	\$ (61,575)
Adjustments for:		
Amortization of property and equipment	29,618	29,866
Amortization of intangible assets	6,825	8,611
Amortization of deferred contributions	(11,250)	(11,250)
Decrease in fair value of investments	31,337	135,959
	(183,169)	101,611
Changes in non-cash working capital balances		
Decrease in accounts receivable	4,098	7,602
Increase in harmonized sales taxes	(23,029)	(1,220)
Decrease (increase) in prepaid expense	(406)	2,643
Increase in accounts payable and accrued liabilities	1,264	4,813
Increase (decrease) in deferred revenue	143	(1,203)
	(201,099)	114,246
<b>Cash flows from investing activities</b>		
Decrease in investments	30,122	69,976
Purchase of property and equipment	(825)	(950)
Increase in deferred capital contributions	10,000	-
	39,297	69,026
<b>Cash flows from financing activities</b>		
Repayment of mortgage payable	(12,664)	(12,300)
Net increase (decrease) in cash	(174,466)	170,972
Cash, beginning of year	465,340	294,368
<b>Cash, end of year</b>	<b>\$ 290,874</b>	<b>\$ 465,340</b>

See accompanying notes to the financial statements

# THE HOSPICE FOR EATING DISORDERS OF TORONTO (OPERATING AS SHEENA'S PLACE)

## NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

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### 1. PURPOSE OF THE ORGANIZATION

The Hospice For Eating Disorders of Toronto (operating as Sheena's Place) (the "Organization") is a not-for-profit organization incorporated in the Province of Ontario. The purposes of the Organization are as follows:

- i) to establish, maintain and operate a non-residential, community based centre (the "Centre") that provides support programs and services for people living with eating disorders, their families, caregivers and community service providers; and
- ii) to develop and promote education and community understanding regarding eating disorders.

The Organization is a registered charity and is exempt from paying income taxes pursuant to the provisions of the Income Tax Act (Canada) under paragraph 149(1)(f).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) applied within the framework of the accounting policies summarized below.

#### Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Unrestricted donations are recognized as income in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted donations received that relate to future years are recorded as deferred revenue in the current year and are recognized in the statement of operations when the related expenditures are incurred.

Endowment contributions are recognized as direct increases in the Endowment Fund balance. Investment income earned on the resources of the Endowment Fund is recognized in the statement of operations.

Special events revenue which consists of sponsorships is earned when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.



**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

**Fund Accounting**

The Organization has the following funds:

**Operating Fund**

The Operating fund accounts for the Organization's program delivery, fundraising and administrative activities.

**Endowment Fund**

The Endowment fund reports resources contributed for endowment purposes. The initial contributions of the endowment fund are restricted for use as a permanent endowment, the investment income earned on the endowment resources are spent at the discretion of the Organization. Income earned on endowment investments may be internally restricted by the Board of Directors for contingencies and special projects and at the discretion of the Board of Directors to fund operations.

**Contributed services and materials**

The work of the Organization is supported by the contribution of services and materials. These contributions are recognized in the financial statements when their fair values are reasonably determinable and when they would normally have been purchased by the Organization had they not been donated. Fair value is defined as the estimated cash outlay that would have been required to purchase the contributed services and materials.

The value of the services contributed by members and other volunteers is not reflected in these financial statements.

**Intangible assets**

Intangible assets include computer software and website assets.

The website is amortized on a straight-line basis over a period of three years, and computer software is amortized over ten years.

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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

**Impairment of long-lived assets**

Long-lived assets, which are comprised of property and equipment and intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If the sum of the undiscounted expected future cash flows expected to result from the use and eventual disposition of an asset is less than its carrying amount, it is considered to be impaired. An impairment loss is measured at the amount by which the carrying amount of the asset exceeds its fair value, and is recognized in the statement of operations.

**Property and equipment**

Property and equipment are capitalized at cost and amortized over their estimated useful lives through a charge to the statement of operations using the straight-line method. The estimated useful lives of the Organization's property and equipment are as follows:

Computer hardware	5 years
Building	40 years
Building improvements	40 years
Furniture and equipment	5 years
Healing garden	20 years

**Deferred contributions**

Deferred contributions relate to contributions restricted for the purchase of intangible assets and property and equipment. Deferred contributions are amortized over the estimated useful lives of those assets for which the contributions were given.

**Financial instruments**

The Organization's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities and mortgage payable. Financial instruments are recorded at fair value on initial recognition. Cash and investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at amortized cost.

When there is an indication of impairment and such an impairment is determined to have occurred, the carrying amount of financial assets, measured at amortized cost is reduced to the greater of the discounted future cash flows expected or the proceeds the could be realized from sale of the financial asset. such impairments can be subsequently reversed if the value subsequently improves.

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.

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

**Allocation of expenses**

The Organization engages in various services, awareness and fundraising programs. The costs of each program include the costs of personnel, services and other expenses that are directly related to providing the programs. The Organization allocates certain of its general and administrative expenses related to occupancy and general office expenses to program expenditures and fundraising expenditures based on the percentage of square footage each component occupies of the premises.

**Use of estimates**

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Significant estimates include the useful lives of property and equipment and intangible assets and allocation of expenses. Actual results could differ from those estimates.

**3. INVESTMENTS**

Certain investment funds, which have been segregated from the general funds, are invested as follows:

	Fair value	
	2016	2015
Endowment Fund		
Direct holdings		
Bond and preferred shares series	\$ 570,508	\$ 600,720
Canadian equity fund series	580,828	556,262
International equities	78,192	52,660
US equity fund series	<u>769,514</u>	<u>764,635</u>
	<u>\$ 1,999,042</u>	<u>\$ 1,974,277</u>
Mutual funds		
Stock fund	\$ 274,649	\$ 326,310
Bond fund	<u>818,045</u>	<u>852,608</u>
	<u>\$ 1,092,694</u>	<u>\$ 1,178,918</u>
Total investments	<u>\$ 3,091,736</u>	<u>\$ 3,153,195</u>

Management does not intend to dispose of any of these investments prior to January 1, 2018, with the exception of regular trading activity within the investment holdings.

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**4. INTANGIBLE ASSETS**

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Computer software	\$ 42,803	\$ 18,355	\$ 24,448	\$ 28,728
Website	<u>12,992</u>	<u>12,992</u>	<u>-</u>	<u>2,545</u>
	<u>\$ 55,795</u>	<u>\$ 31,347</u>	<u>\$ 24,448</u>	<u>\$ 31,273</u>

Amortization of intangible assets in 2016 was \$6,825 (2015 - \$8,611)

**5. PROPERTY AND EQUIPMENT**

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Computer hardware	\$ 35,817	\$ 34,626	\$ 1,191	\$ 8,354
Building	420,526	216,394	204,132	214,645
Building improvements	174,321	59,738	114,583	118,941
Furniture and equipment	825	83	742	-
Healing garden	<u>150,012</u>	<u>76,833</u>	<u>73,179</u>	<u>80,680</u>
	<u>\$ 781,501</u>	<u>\$ 387,674</u>	<u>\$ 393,827</u>	<u>\$ 422,620</u>

**6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Included in accounts payable and accrued liabilities are government remittances of \$2,054 (2015 - \$451) which include various payroll withholding taxes.

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
(OPERATING AS SHEENA'S PLACE)**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**7. DEFERRED REVENUE**

Deferred revenue includes restricted contributions received for specific programs related to future years where the related expenditures have not yet been incurred. At the end of the year, income has been deferred as follows:

	2016	2015
Fundraising events and other future programs:		
Balance - Beginning of year	\$ 15,000	\$ 15,000
Restricted contributions received	35,000	-
Recognized as income	<u>(32,820)</u>	<u>-</u>
Balance - End of year	<u>17,180</u>	<u>15,000</u>
Healing garden:		
Balance - Beginning of year	33,369	34,571
Recognized as other income	<u>(2,037)</u>	<u>(1,202)</u>
Balance - End of year	<u>31,332</u>	<u>33,369</u>
	<u>\$ 48,512</u>	<u>\$ 48,369</u>

**8. MORTGAGE PAYABLE**

The mortgage is for the building located at 87 Spadina Road, Toronto. The building (note 5) has been provided as security for the mortgage. On December 22, 2016, the Organization renewed its mortgage for a period of four years at a fixed interest rate of 2.7%. The mortgage has a remaining amortization period of four years and seven months. The combined monthly principal and interest payments are \$1,184.

Principal payments are due as follows:

2017	\$ 12,717
2018	\$ 13,065
2019	\$ 13,422
2020	\$ 13,789
2021	<u>\$ 8,239</u>
	<u>\$ 61,232</u>

During the year, the Organization paid \$1,762 (2015 - \$2,180) in interest and \$12,664 (2015 - \$12,300) in principal on the mortgage.

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

**9. DEFERRED CONTRIBUTIONS**

	Cost	Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Computer software	\$ 37,500	\$ 16,233	\$ 21,267	\$ 25,017
Healing garden	150,000	76,825	73,175	80,675
Capital improvements	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
	<u>\$ 197,500</u>	<u>\$ 93,058</u>	<u>\$ 104,442</u>	<u>\$ 105,692</u>

**10. INTERFUND TRANSFER**

During the year, the Organization transferred \$62,796 from the Endowment Fund to the Operating Fund (2015 - \$231,628 from Operating Fund to Endowment).

**11. ALLOCATION OF EXPENSES**

During the year, general and administrative office expenses and facility costs which include the operation of the Centre of \$57,963 (2015 - \$66,656) have been allocated as follows:

	2016	2015
Programs	\$ 54,013	\$ 62,113
Fundraising	<u>3,950</u>	<u>4,543</u>
	<u>\$ 57,963</u>	<u>\$ 66,656</u>

**12. RELATED PARTY TRANSACTIONS**

During the current year, members of the Organization's board of directors provided financial contributions amounting to \$31,197 (2015 - \$34,826) which is included in donations. The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**THE HOSPICE FOR EATING DISORDERS OF TORONTO  
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**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**13. FINANCIAL INSTRUMENTS RISK**

The main risks the Organization's financial instruments are exposed to are foreign exchange risk, credit risk, liquidity risk, market risk and interest rate risk.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Organization is exposed to credit risk to the extent that accounts receivables may not be collectible. The Organization believes it has low credit risk given the makeup of its accounts receivable.

**Liquidity risk**

Liquidity risk is the risk that the Organization will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to fair value.

**Market risk**

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Organization. The Organization is exposed to fair value fluctuations on investments.

**Foreign exchange risk**

The Organization holds 24.89% (2015 - 24.25%) of its investments in US equities and 2.53% (2015 - 1.67%) in international markets and, therefore, is subject to foreign exchange risk. The fund manager operates under a statement of investment policies and procedures and is expected to manage this type of risk. The risk in this area is moderate.

**Interest rate risk**

The Organization's bond investments bear interest at a fixed rate and as such are subject to interest rate risk resulting from changes in fair value from market fluctuations in interest rates. Furthermore, the mortgage payable is at a fixed rate which subjects the organization to fair value risk.