

# **MCNALLY HOUSE HOSPICE**

Financial Statements  
for the Year Ended March 31, 2018  
and Independent Auditors' Report to the Board of Directors and Members

**MCNALLY HOUSE HOSPICE**  
FINANCIAL STATEMENTS  
MARCH 31, 2018

---

**CONTENTS**

Independent Auditors' Report to the Board of Directors and Members.....1 - 2

Statement of Revenue and Expenses and Fund Balance.....3

Balance Sheet.....4

Statement of Cash Flows.....5

Notes to the Financial Statements.....6 - 12

---



DURWARD JONES BARKWELL  
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

## INDEPENDENT AUDITORS' REPORT

### To the Board of Directors and Members of McNally House Hospice:

We have audited the accompanying financial statements of McNally House Hospice, which comprise the balance sheet as at March 31, 2018 and the statements of revenue and expenses and fund balance and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for 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.

#### **Auditors' 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 from 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 auditors' 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.

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

8 Christie Street  
P.O. Box 261  
Grimsby, ON L3M 4G5

T. 905.945.5439  
TF. 866.830.7531  
F. 905.945.1103

[djb.com](http://djb.com)





CHARTERED  
PROFESSIONAL  
ACCOUNTANTS

DURWARD JONES BARKWELL  
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

## INDEPENDENT AUDITORS' REPORT (continued)

### **Basis for Qualified Opinion**

In common with many charitable organizations, the Organization derives revenue from donations and fundraising activities, 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 Organization. Therefore, we were unable to determine whether any adjustments might be necessary to donation and fundraising revenue, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

### **Qualified Opinion**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of McNally House Hospice as at March 31, 2018, 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.

*Durward Jones Barkwell + Company LLP*

**Durward Jones Barkwell & Company LLP**  
**Licensed Public Accountants**  
**September 12, 2018**



8 Christie Street  
P.O. Box 261  
Grimsby, ON L3M 4G5

T. 905.945.5439  
TF. 866.830.7531  
F. 905.945.1103

[djb.com](http://djb.com)

**MCNALLY HOUSE HOSPICE**  
 STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCE  
 YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u> (restated) (Note 2)
<b>REVENUE</b>		
Donations	\$ 452,594	\$ 323,080
Community sponsored events	58,179	52,535
Fundraising	443,439	404,669
Grants		
Province of Ontario operating	695,395	691,937
Amortization of capital grants	36,478	40,729
Summer student	2,394	4,958
Investment income		
Interest	54,344	47,507
Capital gains	-	113,373
	<b>1,742,823</b>	<b>1,678,788</b>
<b>EXPENSES</b>		
Employment expenses	1,266,236	1,104,952
Depreciation	61,050	64,227
Fundraising	48,457	45,392
Utilities	36,624	33,965
Office and general	32,471	24,948
Supplies	28,908	24,204
Repairs and maintenance	17,664	23,773
Professional fees	12,660	15,060
Insurance	10,572	10,249
Bank charges	6,606	5,773
Volunteer training and recognition	5,313	39,829
Advertising and promotions	2,203	1,604
Investment management fees	-	11,366
	<b>1,528,764</b>	<b>1,405,342</b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>214,059</b>	<b>273,446</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		
As previously stated	335,679	2,196,964
Restatement for donation adjustment (Note 2)	2,134,731	-
	<b>2,470,410</b>	<b>2,196,964</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 2,684,469</b>	<b>\$ 2,470,410</b>

# MCNALLY HOUSE HOSPICE

BALANCE SHEET  
MARCH 31, 2018

	<u>2018</u>	<u>2017</u> (restated) (Note 2)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 204,036	\$ 214,886
Accounts receivable	36,720	-
Harmonized Sales Tax recoverable	14,754	15,585
Prepaid expenses	5,347	7,969
Due from McNally Hospice Foundation (Note 3)	1,995,161	2,134,731
	2,256,018	2,373,171
<b>Funds held in trust - Niagara West Palliative Care Team</b>	<b>13,934</b>	<b>18,087</b>
<b>Property and equipment (Note 4)</b>	<b>1,828,357</b>	<b>1,385,536</b>
	<b>\$ 4,098,309</b>	<b>\$ 3,776,794</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges (Note 5)	\$ 109,253	\$ 71,812
Operating grants received in advance	56,046	-
Deferred revenue (Note 6)	74,500	19,900
	239,799	91,712
<b>Trust liability - Niagara West Palliative Care Team</b>	<b>13,934</b>	<b>18,087</b>
<b>Deferred revenue (Note 6)</b>	<b>353,410</b>	<b>353,410</b>
<b>Deferred capital grants (Note 7)</b>	<b>806,697</b>	<b>843,175</b>
<b>Commitment (Note 8)</b>		
	1,413,840	1,306,384
<b>FUND BALANCE</b>		
Invested in capital assets (Note 9)	1,021,660	542,361
Unrestricted	1,662,809	1,928,049
	2,684,469	2,470,410
	<b>\$ 4,098,309</b>	<b>\$ 3,776,794</b>

Approved by the Board:

..... Director

..... Director

**MCNALLY HOUSE HOSPICE**  
STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u> (restated) (Note 2)
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 214,059	\$ 273,446
Items not affecting cash		
Amortization of capital grants	(36,478)	(40,729)
Depreciation	61,050	64,227
Donated marketable securities	(8,956)	-
	<b>229,675</b>	296,944
Changes in non-cash operating assets and liabilities		
Accounts receivable	(36,720)	1,861
Harmonized Sales Tax recoverable	831	(4,002)
Prepaid expenses	2,622	(4,019)
Accounts payable and accrued charges	37,441	9,788
Operating grants received in advance	56,046	-
Deferred revenue	54,600	370,610
	<b>344,495</b>	671,182
<b>INVESTING ACTIVITIES</b>		
Income on short-term investments reinvested	-	(155,947)
Advances to McNally Hospice Foundation	(305,974)	(500,000)
Repayments from McNally Hospice Foundation	454,500	-
Purchase of property and equipment	(503,871)	(5,409)
	<b>(355,345)</b>	(661,356)
<b>INCREASE (DECREASE) IN CASH</b>	<b>(10,850)</b>	9,826
<b>CASH, BEGINNING OF YEAR</b>	<b>214,886</b>	205,060
<b>CASH, END OF YEAR</b>	<b>\$ 204,036</b>	<b>\$ 214,886</b>

**MCNALLY HOUSE HOSPICE**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

---

## 1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

### ***Basis of accounting***

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Nature of organization***

McNally House Hospice is a charitable organization incorporated without share capital which operates a six bed residential hospice in Grimsby, Ontario. The mission of the Organization is to provide a caring, supportive residential hospice environment to patients and families within Niagara West.

### ***Revenue recognition***

Donations and certain fundraising revenue are recognized on a cash basis. All other revenue and expenses are recorded on an accrual basis.

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue when the related expenses are incurred and unrestricted contributions are recognized as revenue when received.

### ***Donated materials and services***

The Organization may receive donated materials and relies on the services of volunteers, the value of which is not recorded in the financial statements, as the amounts are not readily determinable.

### ***Property and equipment***

Property and equipment are stated at cost and are depreciated using the diminishing-balance method at the rates indicated in Note 4. Depreciation in the year of acquisition is recorded at one-half of the normal rates except for major additions which are recorded in the month they were put into use.

### ***Long-lived assets***

Long-lived assets are tested for recoverability if events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of the long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Impairment losses are measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

### ***Deferred capital grants***

Deferred capital grants represent grant subsidies received from the Province of Ontario which were used for the purchase of building and equipment. As the building and equipment have been capitalized, the proceeds from the subsidies are being recognized over the life of the related capital assets in accordance with depreciation taken as indicated in Note 7.

### ***Income taxes***

No provision for income taxes is required as the Organization is exempt from income taxes.

### ***Use of estimates***

The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for items such as impairment of long-lived assets, determination of useful lives of property and equipment and revenue recognition.

**MCNALLY HOUSE HOSPICE**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

**1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION** (continued)

**Financial instruments**

**(a) Measurement of financial instruments**

The Organization initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in excess of revenue over expenses.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued charges.

**(b) Impairment**

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of revenue and expenses. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of revenue and expenses up to the amount of the previously recognized impairment.

**2. RESTATEMENT FOR DONATION ADJUSTMENT**

During the year, it was determined that the prior year's transfer of funds to McNally Hospice Foundation was incorrectly classified as a donation and that it should have been classified as a loan receivable.

The effect of this adjustment on the prior year is as follows:

	Previously Reported	Error Correction	As Restated
<i>As at March 31, 2017</i>			
Due from McNally Hospice Foundation	\$ -	\$ 2,134,731	\$ 2,134,731
<i>Year ended March 31, 2017</i>			
Donation to McNally Hospice Foundation	\$ 2,134,731	\$(2,134,731)	\$ -
Excess of revenue over expenses (expenses over revenue)	\$(1,861,285)	\$ 2,134,731	\$ 273,446
Fund balance, end of year	\$ 335,679	\$ 2,134,731	\$ 2,470,410

**MCNALLY HOUSE HOSPICE**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

**3. DUE FROM MCNALLY HOSPICE FOUNDATION**

The amount due from McNally Hospice Foundation, a related organization as described in Note 11, is without specific terms of repayment, bears interest at a rate of 3%, is unsecured and due on demand. During the year, the Organization received \$52,774 (2017 - \$nil) in interest income related to this loan.

**4. PROPERTY AND EQUIPMENT**

	Annual Depreciation Rates	2018		2017	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	-	\$ 465,364	\$ -	\$ -	\$ -
Building	3%	1,708,313	441,342	1,692,986	402,394
Equipment	20%	100,160	50,724	76,979	41,263
Furniture and fixtures	20%	260,810	219,753	260,810	209,481
Office and computer equipment	30%	40,170	34,641	40,170	32,271
		<b>\$ 2,574,817</b>	<b>746,460</b>	<b>\$ 2,070,945</b>	<b>685,409</b>
Net book value			<b>\$ 1,828,357</b>		<b>\$ 1,385,536</b>

**5. ACCOUNTS PAYABLE AND ACCRUED CHARGES**

	2018	2017
Trade accounts	\$ 16,347	\$ 10,187
Accrued charges		
Other	1,283	-
Professional fees	8,032	7,117
Wages and vacation pay	82,185	53,198
Workplace Safety & Insurance Board	1,406	1,310
	<b>\$ 109,253</b>	<b>\$ 71,812</b>

**MCNALLY HOUSE HOSPICE**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

**6. DEFERRED REVENUE**

In the prior year, the Organization received an amount of \$353,410 of a total commitment of \$1,000,000 from a private individual in support of the acquisition and operation of a Wellness Centre. The Organization anticipates the Wellness Centre will not be operational until after fiscal 2020 and as such the contribution has been shown as long-term.

Short-term deferred revenue consists of restricted contributions and funding as follows:

	<u>2018</u>	<u>2017</u>
Elevator	\$ 56,300	\$ -
Garden	12,000	12,000
Bereavement and other	6,200	7,900
	<b>\$ 74,500</b>	<b>\$ 19,900</b>

During the year, the Organization received \$50,000 in federal funding and an additional \$6,300 in donations for the installation of an elevator which is anticipated to be completed in 2019.

**7. DEFERRED CAPITAL GRANTS**

		<u>2018</u>		<u>2017</u>	
	Annual Amortization Rates	Capital Grants	Accumulated Amortization	Capital Grants	Accumulated Amortization
Building	3%	\$ 1,034,024	\$ 277,179	\$ 1,034,024	\$ 253,771
Equipment	20%	76,760	48,288	76,760	41,170
Furniture and fixtures	20%	106,986	89,004	106,986	84,508
Office and computer equipment	30%	15,945	12,547	15,945	11,091
		<b>\$ 1,233,715</b>	<b>427,018</b>	<b>\$ 1,233,715</b>	<b>390,540</b>
Net book value			<b>\$ 806,697</b>		<b>\$ 843,175</b>

**8. COMMITMENT**

The hospice building owned by the Organization is located on land which is being leased from the West Lincoln Memorial Hospital at a nominal annual rent and with a term of 21 years which expires October 2027.

**MCNALLY HOUSE HOSPICE**  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2018

**9. INVESTED IN CAPITAL ASSETS**

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 542,361	\$ 560,450
Purchase of property and equipment	503,871	5,409
Depreciation	(61,050)	(64,227)
Amortization of capital grants	36,478	40,729
	<hr/>	<hr/>
Balance, end of year	<b>\$ 1,021,660</b>	<b>\$ 542,361</b>
	<hr/>	<hr/>
Balance consists of:		
Property and equipment, at net book value	<b>\$ 1,828,357</b>	\$ 1,385,536
Deferred capital grants, at net book value	<b>(806,697)</b>	(843,175)
	<hr/>	<hr/>
	<b>\$ 1,021,660</b>	<b>\$ 542,361</b>

**10. ECONOMIC DEPENDENCE AND SOURCES OF CONTRIBUTIONS**

Approximately 40% of the Organization's funding is derived from grants received from the Province of Ontario. Should this funding source curtail its support of the Organization, management is of the opinion that continued viable operations of the Organization would be in question.

During the year donations, community sponsored events and fundraising revenue was received from the following sources:

	<u>2018</u>	<u>2017</u>
Individuals	\$ 621,911	\$ 527,446
Corporations	164,676	94,940
Foundations	114,461	130,735
Community groups, churches and other charities	53,164	27,163
	<hr/>	<hr/>
	<b>\$ 954,212</b>	<b>\$ 780,284</b>

**MCNALLY HOUSE HOSPICE**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

**11. CONTROLLED NOT-FOR-PROFIT ORGANIZATION NOT CONSOLIDATED**

McNally House Hospice is related to McNally Hospice Foundation by virtue of the common Board of Director membership of both organizations. McNally Hospice Foundation was incorporated November 3, 2016 without share capital as a non-profit organization. McNally Hospice Foundation's primary purpose is to receive and maintain funds to support palliative care in Niagara West. McNally Hospice Foundation has not been consolidated with these financial statements.

Financial information as summarized from the unaudited financial statements of McNally Hospice Foundation as at March 31, 2018 is as follows:

	<u>2018</u>	<u>2017</u>
<b>Results of operations</b>		
Total revenue	\$ 53,993	\$ -
Total expenses	70,766	-
Excess of expenses over revenue	<b>\$ (16,773)</b>	<b>\$ -</b>
<b>Financial position</b>		
Cash	\$ 296,457	\$ 500,000
Short-term investments	1,684,431	1,634,731
Total assets	<b>\$ 1,980,888</b>	<b>\$ 2,134,731</b>
Total liabilities	<b>\$ 1,997,661</b>	<b>\$ 2,134,731</b>
Fund balance	(16,773)	-
	<b>\$ 1,980,888</b>	<b>\$ 2,134,731</b>
<b>Cash flows</b>		
Operating	\$ (38,555)	\$ -
Investing	(16,462)	-
Financing	(148,526)	500,000
Increase (decrease) in cash	<b>\$ (203,543)</b>	<b>\$ 500,000</b>

The following transaction occurred between McNally House Hospice and McNally Hospice Foundation:

	<u>2018</u>	<u>2017</u>
Interest income received from McNally Hospice Foundation	<b>\$ 52,774</b>	<b>\$ -</b>

The above transaction was measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

**MCNALLY HOUSE HOSPICE**  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2018

---

**12. FINANCIAL RISK MANAGEMENT**

The Organization has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, market (other price) risk, currency risk, credit risk, and liquidity risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

It is management's opinion that the Organization is not exposed to significant interest rate, market, currency, credit or liquidity risks arising from its financial instruments.

---