

MCNALLY HOUSE HOSPICE

Financial Statements
for the Year Ended March 31, 2019
and Independent Auditor's Report to the Board of Directors and Members

MCNALLY HOUSE HOSPICE
FINANCIAL STATEMENTS
MARCH 31, 2019

CONTENTS

Independent Auditor's 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 - 11



CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

570 Highland Road West
Unit 1
Hamilton, ON L8W 0C4
T. 905.525.9520
TF. 866.358.8240
F. 905.522.3113

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the accompanying financial statements of McNally House Hospice (the Entity), which comprise the balance sheet as at March 31, 2019 and the statements of revenue and expenses and fund balance and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Entity 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 Qualified Opinion

In common with many not-for-profit organizations, the Entity 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 Entity. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2019 and 2018, current assets as at March 31, 2019 and 2018, and net assets as at April 1 and March 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

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 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our qualified opinion.

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 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.

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 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 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 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.

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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

September 25, 2019



MCNALLY HOUSE HOSPICE
STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCE
YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE		
Donations	\$ 443,122	\$ 452,594
Community sponsored events	67,247	58,179
Fundraising	518,275	443,439
Grants		
Province of Ontario operating	693,570	695,395
Amortization of capital grants	33,440	36,478
Summer student	3,775	2,394
Interest income	46,396	54,344
	1,805,825	1,742,823
EXPENSES		
Employment expenses	1,325,860	1,266,236
Depreciation	58,806	61,050
Fundraising	55,552	48,457
Repairs and maintenance	46,274	17,664
Professional fees	40,141	12,660
Utilities	29,603	36,624
Supplies	28,118	28,908
Office and general	27,804	32,471
Insurance	15,066	10,572
Volunteer training and recognition	6,505	5,313
Bank charges	6,051	6,606
Advertising and promotions	4,227	2,203
	1,644,007	1,528,764
EXCESS OF REVENUE OVER EXPENSES BEFORE DONATION	161,818	214,059
DONATION TO MCNALLY HOSPICE FOUNDATION (Note 10)	(2,001,730)	-
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	(1,839,912)	214,059
FUND BALANCE, BEGINNING OF YEAR	2,684,469	2,470,410
FUND BALANCE, END OF YEAR	\$ 844,557	\$ 2,684,469

MCNALLY HOUSE HOSPICE

BALANCE SHEET
MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash	\$ 266,530	\$ 204,036
Accounts receivable	67,006	36,720
Harmonized Sales Tax recoverable	31,888	14,754
Prepaid expenses	9,214	5,347
Due from McNally Hospice Foundation (Note 2)	1,278	1,995,161
	375,916	2,256,018
Funds held in trust - Niagara West Palliative Care Team	7,467	13,934
Property and equipment (Note 3)	1,919,005	1,828,357
	\$ 2,302,388	\$ 4,098,309
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 4)	\$ 131,554	\$ 109,253
Operating grants received in advance	56,046	56,046
Deferred revenue (Note 5)	9,395	74,500
	196,995	239,799
Trust liability - Niagara West Palliative Care Team	7,467	13,934
Deferred revenue (Note 5)	353,410	353,410
Deferred capital grants (Note 6)	899,959	806,697
Commitment (Note 7)		
	1,457,831	1,413,840
FUND BALANCE		
Invested in capital assets (Note 8)	1,019,046	1,021,660
Unrestricted	(174,489)	1,662,809
	844,557	2,684,469
	\$ 2,302,388	\$ 4,098,309

Approved by the Board:

..... Director

..... Director

MCNALLY HOUSE HOSPICE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$(1,839,912)	\$ 214,059
Items not affecting cash		
Amortization of capital grants	(33,440)	(36,478)
Depreciation	58,806	61,050
Donated marketable securities	-	(8,956)
Donation to McNally Hospice Foundation	2,001,730	-
	187,184	229,675
Changes in non-cash operating assets and liabilities		
Accounts receivable	(30,286)	(36,720)
Harmonized Sales Tax recoverable	(17,134)	831
Prepaid expenses	(3,867)	2,622
Accounts payable and accrued charges	22,301	37,441
Operating grants received in advance	-	56,046
Deferred revenue	(65,105)	54,600
	93,093	344,495
INVESTING ACTIVITIES		
Advances to McNally Hospice Foundation	(7,847)	(305,974)
Repayments from McNally Hospice Foundation	-	454,500
Purchase of property and equipment	(149,454)	(503,871)
	(157,301)	(355,345)
FINANCING ACTIVITY		
Proceeds from capital grants	126,702	-
INCREASE (DECREASE) IN CASH	62,494	(10,850)
CASH, BEGINNING OF YEAR	204,036	214,886
CASH, END OF YEAR	\$ 266,530	\$ 204,036

During the year, the Organization approved the donation of \$2,001,730 to McNally Hospice Foundation which was applied to offset the amount due from the Foundation.

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

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 3. 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 and other donations which were used for the purchase of building and equipment. As the building and equipment have been capitalized, the proceeds from the subsidies and donations are being recognized over the life of the related capital assets in accordance with depreciation taken as indicated in Note 6.

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, 2019

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. DUE FROM MCNALLY HOSPICE FOUNDATION

The amount due from McNally Hospice Foundation, a related organization as described in Note 10, is without specific terms of repayment, was interest bearing at a rate of 3% until March 31, 2019, is unsecured and due on demand. During the year, the Organization received \$39,975 (2018 - \$52,774) in interest income related to this loan.

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

3. PROPERTY AND EQUIPMENT

	Annual Depreciation Rates	<u>2019</u>		<u>2018</u>	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	-	\$ 475,617	\$ -	\$ 465,364	\$ -
Building	3%	1,842,883	479,836	1,708,313	441,342
Equipment	20%	100,160	60,611	100,160	50,724
Furniture and fixtures	20%	263,606	228,244	260,810	219,753
Office and computer equipment	30%	42,005	36,575	40,170	34,641
		\$ 2,724,271	805,266	\$ 2,574,817	746,460
Net book value			\$ 1,919,005		\$ 1,828,357

4. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2019</u>	<u>2018</u>
Trade accounts	\$ 75,915	\$ 16,347
Accrued charges		
Other	977	1,283
Professional fees	8,032	8,032
Wages and vacation pay	45,768	82,185
Workplace Safety & Insurance Board	862	1,406
	\$ 131,554	\$ 109,253

5. DEFERRED REVENUE

During the 2017 fiscal 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 at least 2022 and as such the contribution has been shown as long-term.

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

	<u>2019</u>	<u>2018</u>
Elevator	\$ -	\$ 56,300
Garden	4,395	12,000
Bereavement and other	5,000	6,200
	\$ 9,395	\$ 74,500

During the year, restricted contributions in the amount of \$85,111 (2018 - \$63,350) were received and \$150,216 (2018 - \$8,750) were spent. Of the amount spent, \$126,702 (2018 - \$nil) related to building additions and was recorded as deferred capital grants.

MCNALLY HOUSE HOSPICE
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2019

6. DEFERRED CAPITAL GRANTS

	Annual Amortization Rates	2019		2018	
		Capital Grants	Accumulated Amortization	Capital Grants	Accumulated Amortization
Building	3%	\$ 1,160,726	\$ 300,310	\$ 1,034,024	\$ 277,179
Equipment	20%	76,760	53,982	76,760	48,288
Furniture and fixtures	20%	106,986	92,600	106,986	89,004
Office and computer equipment	30%	15,945	13,566	15,945	12,547
		\$ 1,360,417	460,458	\$ 1,233,715	427,018
Net book value			\$ 899,959		\$ 806,697

7. 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.

8. INVESTED IN CAPITAL ASSETS

	2019	2018
Balance, beginning of year	\$ 1,021,660	\$ 542,361
Purchase of property and equipment	149,454	503,871
Proceeds from capital grants	(126,702)	-
Depreciation	(58,806)	(61,050)
Amortization of capital grants	33,440	36,478
Balance, end of year	\$ 1,019,046	\$ 1,021,660
Balance consists of:		
Property and equipment, at net book value	\$ 1,919,005	\$ 1,828,357
Deferred capital grants, at net book value	(899,959)	(806,697)
	\$ 1,019,046	\$ 1,021,660

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

9. ECONOMIC DEPENDENCE AND SOURCES OF CONTRIBUTIONS

Approximately 38% (2018 - 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 were received from the following sources:

	<u>2019</u>	<u>2018</u>
Individuals	\$ 627,123	\$ 621,911
Corporations	208,147	164,676
Foundations	120,572	114,461
Community groups, churches and other charities	72,802	53,164
	\$ 1,028,644	\$ 954,212

10. 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 and received charitable status in the current year. 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, 2019 is as follows:

	<u>2019</u>	<u>2018</u>
Results of operations		
Total revenue	\$ 2,121,959	\$ 53,993
Total expenses	63,880	70,766
Excess of revenue over expenses (expenses over revenue)	\$ 2,058,079	\$ (16,773)
Financial position		
Cash and other current assets	\$ 261,018	\$ 296,457
Short-term investments	1,787,499	1,684,431
Total assets	\$ 2,048,517	\$ 1,980,888
Total liabilities	\$ 7,211	\$ 1,997,661
Fund balance (deficit)	2,041,306	(16,773)
	\$ 2,048,517	\$ 1,980,888

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2019

10. CONTROLLED NOT-FOR-PROFIT ORGANIZATION NOT CONSOLIDATED (continued)

Cash flows	<u>2019</u>	<u>2018</u>
Operating	\$ (13,705)	\$ (38,555)
Investing	(30,498)	(16,462)
Financing	7,847	(148,526)
Decrease in cash	<u>\$ (36,356)</u>	<u>\$ (203,543)</u>

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

	<u>2019</u>	<u>2018</u>
Donation to McNally Hospice Foundation	<u>\$ 2,001,730</u>	<u>\$ -</u>
Interest income received from McNally Hospice Foundation	<u>\$ 39,975</u>	<u>\$ 52,774</u>

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

11. 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.