

MCNALLY HOUSE HOSPICE

Financial Statements
for the Year Ended March 31, 2020
and Independent Auditor's Report to the Board of Directors and Members

MCNALLY HOUSE HOSPICE
FINANCIAL STATEMENTS
MARCH 31, 2020

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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, 2020 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, 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.

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, 2020 and 2019, current assets as at March 31, 2020 and 2019, and net assets as at April 1 and March 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended March 31, 2019 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 28, 2020



MCNALLY HOUSE HOSPICE
STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCE
YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
REVENUE		
Donations	\$ 534,171	\$ 443,122
Donation - McNally Hospice Foundation	60,000	-
Community sponsored events	78,240	67,247
Fundraising	453,867	518,275
Grants		
Province of Ontario operating	693,770	693,570
Amortization of capital grants	33,959	33,440
Summer student	4,144	3,775
Interest and other income	39,302	46,396
	1,897,453	1,805,825
EXPENSES		
Employment expenses	1,354,510	1,325,860
Professional fees	103,977	40,141
Fundraising	77,867	55,552
Depreciation	59,688	58,806
Supplies	32,523	28,118
Repairs and maintenance	30,433	46,274
Office and general	28,099	27,804
Utilities	27,540	29,603
Insurance	15,040	15,066
Bank charges	7,116	6,051
Advertising and promotions	3,681	4,227
Volunteer training and recognition	2,612	6,505
	1,743,086	1,644,007
EXCESS OF REVENUE OVER EXPENSES BEFORE DONATION	154,367	161,818
DONATION TO MCNALLY HOSPICE FOUNDATION	-	(2,001,730)
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	154,367	(1,839,912)
FUND BALANCE, BEGINNING OF YEAR	844,557	2,684,469
FUND BALANCE, END OF YEAR	\$ 998,924	\$ 844,557

MCNALLY HOUSE HOSPICE

BALANCE SHEET
MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets		
Cash	\$ 148,953	\$ 266,530
Accounts receivable	27,846	67,006
Harmonized Sales Tax recoverable	66,222	31,888
Prepaid expenses	15,090	9,214
Due from McNally Hospice Foundation (Note 2)	8,284	1,278
	266,395	375,916
Funds held in trust - Niagara West Palliative Care Team	6,687	7,467
Guaranteed investment certificate	6,000	-
Property and equipment (Note 3)	2,071,655	1,919,005
	\$ 2,350,737	\$ 2,302,388
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 4)	\$ 111,918	\$ 131,554
Operating grants received in advance	-	56,046
Deferred revenue (Note 5)	5,000	10,597
	116,918	198,197
Trust liability - Niagara West Palliative Care Team	6,687	7,467
Deferred revenue (Note 5)	362,208	352,208
Deferred capital grants (Note 6)	866,000	899,959
Commitment (Note 7)		
	1,351,813	1,457,831
FUND BALANCE		
Invested in capital assets (Note 8)	1,205,655	1,019,046
Unrestricted	(206,731)	(174,489)
	998,924	844,557
	\$ 2,350,737	\$ 2,302,388

Approved by the Board:

..... Director

..... Director

MCNALLY HOUSE HOSPICE

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	\$ 154,367	\$(1,839,912)
Items not affecting cash		
Amortization of capital grants	(33,959)	(33,440)
Depreciation	59,688	58,806
Donation to McNally Hospice Foundation	-	2,001,730
	180,096	187,184
Changes in non-cash operating assets and liabilities		
Accounts receivable	39,160	(30,286)
Harmonized Sales Tax recoverable	(34,334)	(17,134)
Prepaid expenses	(5,876)	(3,867)
Accounts payable and accrued charges	(19,636)	22,301
Operating grants received in advance	(56,046)	-
Deferred revenue	4,403	(65,105)
	107,767	93,093
INVESTING ACTIVITIES		
Advances to McNally Hospice Foundation	(7,006)	(7,847)
Purchase of guaranteed investment certificate	(6,000)	-
Purchase of property and equipment	(212,338)	(149,454)
	(225,344)	(157,301)
FINANCING ACTIVITY		
Proceeds from capital grants	-	126,702
INCREASE (DECREASE) IN CASH	(117,577)	62,494
CASH, BEGINNING OF YEAR	266,530	204,036
CASH, END OF YEAR	\$ 148,953	\$ 266,530

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

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, 2020

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 the statement of revenue and expenses.

Financial assets measured at amortized cost include cash, accounts receivable and guaranteed investment certificate.

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, is non interest bearing (2019 - interest bearing at a rate of 3%), is unsecured and due on demand. During the year, the Organization received \$Nil (2019 - \$39,975) in interest income related to this loan.

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

3. PROPERTY AND EQUIPMENT

	Annual Depreciation Rates	<u>2020</u>		<u>2019</u>	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land and new building project	-	\$ 641,692	\$ -	\$ 475,617	\$ -
Building	3%	1,854,289	519,427	1,842,883	479,836
Equipment	20%	108,542	69,359	100,160	60,611
Furniture and fixtures	20%	290,081	237,963	263,606	228,244
Office and computer equipment	30%	42,005	38,205	42,005	36,575
		\$ 2,936,609	864,954	\$ 2,724,271	805,266
Net book value			\$ 2,071,655		\$ 1,919,005

4. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2020</u>	<u>2019</u>
Trade accounts	\$ 42,272	\$ 75,915
Accrued charges		
Other	1,108	977
Professional fees	10,112	8,032
Wages and vacation pay	57,478	45,768
Workplace Safety & Insurance Board	948	862
	\$ 111,918	\$ 131,554

5. DEFERRED REVENUE

In a prior fiscal year, the Organization received an amount of \$352,208 of a total commitment of \$1,000,000 from a private individual in support of the acquisition and operation of a Wellness Centre. During the 2020 fiscal year, the Organization received an additional \$10,000 for the Wellness Centre from another source. The Organization anticipates the Wellness Centre will not be operational until at least 2022 and as such the contributions have been shown as long-term.

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

	<u>2020</u>	<u>2019</u>
Garden	\$ -	\$ 4,395
Bereavement and other	5,000	6,202
	\$ 5,000	\$ 10,597

During the year, restricted contributions in the amount of \$300 (2019 - \$85,111) were received and \$5,897 (2019 - \$150,216) were spent. Of the amount spent, \$nil (2019 - \$126,702) related to building additions and was recorded as deferred capital grants.

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

6. DEFERRED CAPITAL GRANTS

	Annual Amortization Rates	<u>2020</u>		<u>2019</u>	
		Capital Grants	Accumulated Amortization	Capital Grants	Accumulated Amortization
Building	3%	\$ 1,160,726	\$ 326,122	\$ 1,160,726	\$ 300,310
Equipment	20%	76,760	58,538	76,760	53,982
Furniture and fixtures	20%	106,986	95,477	106,986	92,600
Office and computer equipment	30%	15,945	14,280	15,945	13,566
		\$ 1,360,417	494,417	\$ 1,360,417	460,458
Net book value			\$ 866,000		\$ 899,959

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

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 1,019,046	\$ 1,021,660
Purchase of property and equipment	212,338	149,454
Proceeds from capital grants	-	(126,702)
Depreciation	(59,688)	(58,806)
Amortization of capital grants	33,959	33,440
Balance, end of year	\$ 1,205,655	\$ 1,019,046
Balance consists of:		
Property and equipment, at net book value	\$ 2,071,655	\$ 1,919,005
Deferred capital grants, at net book value	(866,000)	(899,959)
	\$ 1,205,655	\$ 1,019,046

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

9. ECONOMIC DEPENDENCE AND SOURCES OF CONTRIBUTIONS

Approximately 37% (2019 - 38%) 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>2020</u>	<u>2019</u>
Individuals	\$ 752,452	\$ 627,123
Corporations	161,738	208,147
Foundations	108,733	120,572
Community groups, churches and other charities	43,355	72,802
	\$ 1,066,278	\$ 1,028,644

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 is a charitable organization incorporated without share capital whose 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, 2020 is as follows:

	<u>2020</u>	<u>2019</u>
Results of operations		
Total revenue	\$ (71,512)	\$ 2,121,959
Total expenses	82,246	63,880
Excess of revenue over expenses (expenses over revenue)	\$ (153,758)	\$ 2,058,079
Financial position		
Cash and other current assets	\$ 203,833	\$ 261,018
Short-term investments	1,697,999	1,787,499
Total assets	\$ 1,901,832	\$ 2,048,517
Total liabilities	\$ 14,284	\$ 7,211
Fund balance	1,887,548	2,041,306
	\$ 1,901,832	\$ 2,048,517

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

Cash flows	<u>2020</u>	<u>2019</u>
Operating	\$ (20,268)	\$ (13,705)
Investing	(43,006)	(30,498)
Financing	7,006	7,847
Decrease in cash	<u>\$ (56,268)</u>	<u>\$ (36,356)</u>

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

	<u>2020</u>	<u>2019</u>
Donation from McNally Hospice Foundation	<u>\$ 60,000</u>	<u>\$ -</u>
Interest income received from McNally Hospice Foundation	<u>\$ -</u>	<u>\$ 39,975</u>
Donation to McNally Hospice Foundation	<u>\$ -</u>	<u>\$ 2,001,730</u>

The above transactions were 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.

12. IMPACT OF COVID-19 PANDEMIC

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, 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 nonessential services have triggered significant disruptions to business worldwide, resulting in economic slowdown.

The Organization has determined that adjustments to the financial statements are not required as a result of these events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 have not been adjusted to reflect their impact. 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 statements and results of the Organization for future periods.