

MCNALLY HOUSE HOSPICE

Financial Statements
for the Year Ended March 31, 2021
and Independent Auditor's Report to the Board of Directors and Members

MCNALLY HOUSE HOSPICE
FINANCIAL STATEMENTS
MARCH 31, 2021

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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, 2021 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, 2021, 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, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 year ends. Our audit opinion on the financial statements for the year ended March 31, 2020 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 22, 2021



MCNALLY HOUSE HOSPICE
STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCE
YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
REVENUE		
Donations	\$ 687,866	\$ 534,171
Donation - McNally Hospice Foundation	60,000	60,000
Community sponsored events	21,845	78,240
Fundraising	424,180	453,867
Grants		
Province of Ontario operating	767,913	693,770
Amortization of capital grants	31,484	33,959
Summer student	-	4,144
Interest and other income	5,815	39,302
	1,999,103	1,897,453
EXPENSES		
Employment expenses	1,469,308	1,354,510
Depreciation	64,896	59,688
Fundraising	54,403	77,867
Professional fees	46,062	103,977
Supplies	39,047	32,523
Utilities	35,443	27,540
Repairs and maintenance	25,436	30,433
Office and general	23,770	28,099
Insurance	16,977	15,040
Bank charges	6,575	7,116
Advertising and promotions	5,471	3,681
Volunteer training and recognition	411	2,612
	1,787,799	1,743,086
EXCESS OF REVENUE OVER EXPENSES BEFORE WAGE SUBSIDIES	211,304	154,367
WAGE SUBSIDIES (Note 11)	78,192	-
EXCESS OF REVENUE OVER EXPENSES	289,496	154,367
FUND BALANCE, BEGINNING OF YEAR	998,924	844,557
FUND BALANCE, END OF YEAR	\$ 1,288,420	\$ 998,924

MCNALLY HOUSE HOSPICE

BALANCE SHEET
MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets		
Cash	\$ 429,297	\$ 148,953
Guaranteed investment certificate	6,000	6,000
Accounts receivable	66,910	27,846
Harmonized Sales Tax recoverable	64,134	66,222
Prepaid expenses	24,671	15,090
Due from McNally Hospice Foundation (Note 2)	17,034	8,284
	608,046	272,395
Funds held in trust - Niagara West Palliative Care Team	6,687	6,687
Property and equipment (Note 3)	2,174,018	2,071,655
	\$ 2,788,751	\$ 2,350,737
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 4)	\$ 134,889	\$ 111,918
Operating grants received in advance	7,031	-
Deferred revenue (Note 5)	5,000	5,000
	146,920	116,918
Trust liability - Niagara West Palliative Care Team	6,687	6,687
Deferred revenue (Note 5)	512,208	362,208
Deferred capital grants (Note 6)	834,516	866,000
Commitment (Note 7)		
	1,500,331	1,351,813
FUND BALANCE		
Invested in capital assets (Note 8)	1,339,502	1,205,655
Unrestricted	(51,082)	(206,731)
	1,288,420	998,924
	\$ 2,788,751	\$ 2,350,737

Approved by the Board:

..... Director

..... Director

MCNALLY HOUSE HOSPICE

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 289,496	\$ 154,367
Items not affecting cash		
Amortization of capital grants	(31,484)	(33,959)
Depreciation	64,896	59,688
	322,908	180,096
Changes in non-cash operating assets and liabilities		
Accounts receivable	(39,064)	39,160
Harmonized Sales Tax recoverable	2,088	(34,334)
Prepaid expenses	(9,581)	(5,876)
Accounts payable and accrued charges	22,971	(19,636)
Operating grants received in advance	7,031	(56,046)
Deferred revenue	150,000	4,403
	456,353	107,767
INVESTING ACTIVITIES		
Advances to McNally Hospice Foundation	(8,750)	(7,006)
Purchase of guaranteed investment certificate	-	(6,000)
Purchase of property and equipment	(167,259)	(212,338)
	(176,009)	(225,344)
INCREASE (DECREASE) IN CASH	280,344	(117,577)
CASH, BEGINNING OF YEAR	148,953	266,530
CASH, END OF YEAR	\$ 429,297	\$ 148,953

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

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, 2021

Government assistance

Government assistance related to current expenses or revenues are recognized in the current period. When government assistance relates to expenses of future accounting periods, the appropriate amounts shall be deferred and amortized as related expenses are incurred

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, is unsecured and due on demand.

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

3. PROPERTY AND EQUIPMENT

	Annual Depreciation Rates	<u>2021</u>		<u>2020</u>	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land and new building project	-	\$ 729,785	\$ -	\$ 641,692	\$ -
Building	3%	1,883,322	559,910	1,854,289	519,427
Equipment	20%	116,539	77,995	108,542	69,359
Furniture and fixtures	20%	332,216	252,600	290,081	237,963
Office and computer equipment	30%	42,005	39,344	42,005	38,205
		\$ 3,103,867	929,849	\$ 2,936,609	864,954
Net book value			\$ 2,174,018		\$ 2,071,655

4. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2021</u>	<u>2020</u>
Trade accounts	\$ 44,222	\$ 42,272
Accrued charges		
Other	9,387	1,108
Professional fees	10,000	10,112
Wages and vacation pay	70,335	57,478
Workplace Safety & Insurance Board	945	948
	\$ 134,889	\$ 111,918

5. DEFERRED REVENUE

In prior fiscal years, the Organization received an amount of \$362,208 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 current year, the Organization received an additional \$150,000 towards this commitment. 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>2021</u>	<u>2020</u>
Bereavement and other	\$ 5,000	\$ 5,000

During the year, restricted contributions in the amount of \$nil (2020 - \$300) were received and \$nil (2020 - \$5,897) were spent.

MCNALLY HOUSE HOSPICE
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2021

6. DEFERRED CAPITAL GRANTS

	Annual Amortization Rates	<u>2021</u>		<u>2020</u>	
		Capital Grants	Accumulated Amortization	Capital Grants	Accumulated Amortization
Building	3%	\$ 1,160,726	\$ 351,161	\$ 1,160,726	\$ 326,122
Equipment	20%	76,760	62,182	76,760	58,538
Furniture and fixtures	20%	106,986	97,779	106,986	95,477
Office and computer equipment	30%	15,945	14,779	15,945	14,280
		\$ 1,360,417	525,901	\$ 1,360,417	494,417
Net book value			\$ 834,516		\$ 866,000

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 which expires November 2038.

8. INVESTED IN CAPITAL ASSETS

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 1,205,655	\$ 1,019,046
Purchase of property and equipment	167,259	212,338
Depreciation	(64,896)	(59,688)
Amortization of capital grants	31,484	33,959
Balance, end of year	\$ 1,339,502	\$ 1,205,655
Balance consists of:		
Property and equipment, at net book value	\$ 2,174,018	\$ 2,071,655
Deferred capital grants, at net book value	(834,516)	(866,000)
	\$ 1,339,502	\$ 1,205,655

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

9. ECONOMIC DEPENDENCE AND SOURCES OF CONTRIBUTIONS

Approximately 38% (2020 - 37%) 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>2021</u>	<u>2020</u>
Individuals	\$ 873,204	\$ 752,452
Corporations	118,765	161,738
Foundations	112,682	108,733
Community groups, churches and other charities	29,240	43,355
	\$ 1,133,891	\$ 1,066,278

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, 2021 is as follows:

	<u>2021</u>	<u>2020</u>
Results of operations		
Total revenue	\$ 390,079	\$ (71,512)
Total expenses	81,943	82,246
Excess of revenue over expenses (expenses over revenue)	\$ 308,136	\$ (153,758)
Financial position		
Cash and other current assets	\$ 145,973	\$ 203,833
Short-term investments	2,072,745	1,697,999
Total assets	\$ 2,218,718	\$ 1,901,832
Total liabilities	\$ 23,034	\$ 14,284
Fund balance	2,195,684	1,887,548
	\$ 2,218,718	\$ 1,901,832

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

Cash flows	<u>2021</u>	<u>2020</u>
Operating	\$ (26,782)	\$ (20,268)
Investing	(40,844)	(43,006)
Financing	8,750	7,006
	<hr/>	<hr/>
Decrease in cash	\$ (58,876)	\$ (56,268)

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

	<u>2021</u>	<u>2020</u>
Donation from McNally Hospice Foundation	\$ 60,000	\$ 60,000

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

11. WAGE SUBSIDIES

In the current year, the Organization applied for \$53,192 under the Canada Emergency Wage Subsidy and \$25,000 under the Temporary Wage Subsidy as a result of their decline in revenue attributed to the COVID-19 pandemic. Entities must satisfy certain eligibility criteria, including among others a significant decline in revenue as compared to earlier periods.

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.

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2021

13. 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 businesses worldwide, resulting in an 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, 2021 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 position and results of the Organization for future periods.
