

MCNALLY HOUSE HOSPICE

Financial Statements
for the Year Ended March 31, 2022
and Independent Auditor's Report to the Board of Directors and Members

MCNALLY HOUSE HOSPICE
FINANCIAL STATEMENTS
MARCH 31, 2022

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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, 2022 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, 2022, 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, 2022 and 2021, current assets as at March 31, 2022 and 2021, and net assets as at April 1 and March 31 for both the 2022 and 2021 year ends. Our audit opinion on the financial statements for the year ended March 31, 2021 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 7, 2022



MCNALLY HOUSE HOSPICE
STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCE
YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Donations	\$ 552,463	\$ 687,866
Donation - McNally Hospice Foundation	100,000	60,000
Community sponsored events	39,543	21,845
Fundraising	424,791	424,180
Grants		
Province of Ontario operating	1,027,618	767,913
Summer student	4,456	-
Ontario Trillium Foundation	14,400	-
Amortization of capital contributions	29,394	31,484
Interest and other income	2,543	5,815
	2,195,208	1,999,103
EXPENSES		
Employment expenses	1,554,801	1,469,308
Professional fees	123,607	46,062
Depreciation	63,672	64,896
Fundraising	49,943	54,403
Supplies	34,463	39,047
Office and general	31,899	23,770
Insurance	28,977	16,977
Utilities	27,805	35,443
Repairs and maintenance	26,337	25,436
Ontario Trillium grant expenses	14,870	-
Bank charges	13,049	6,575
Capital campaign costs	9,579	-
Volunteer training and recognition	2,487	411
Advertising and promotions	1,725	5,471
	1,983,214	1,787,799
EXCESS OF REVENUE OVER EXPENSES BEFORE WAGE SUBSIDIES	211,994	211,304
WAGE SUBSIDIES (Note 10)	-	78,192
EXCESS OF REVENUE OVER EXPENSES	211,994	289,496
FUND BALANCE, BEGINNING OF YEAR	1,288,420	998,924
FUND BALANCE, END OF YEAR	\$ 1,500,414	\$ 1,288,420

MCNALLY HOUSE HOSPICE

BALANCE SHEET
MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets		
Cash	\$ 358,303	\$ 429,297
Guaranteed investment certificates	1,461,318	6,000
Accounts receivable	50,764	66,910
Harmonized Sales Tax recoverable	102,462	64,134
Prepaid expenses	36,844	24,671
Due from McNally Hospice Foundation	-	17,034
	2,009,691	608,046
Funds held in trust - Niagara West Palliative Care Team	6,687	6,687
Property and equipment (Note 2)	2,140,952	2,174,018
	\$ 4,157,330	\$ 2,788,751
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 3)	\$ 118,613	\$ 134,889
Operating grants received in advance	-	7,031
Deferred revenue (Note 4)	-	5,000
	118,613	146,920
Trust liability - Niagara West Palliative Care Team	6,687	6,687
Deferred revenue (Note 4)	1,726,494	512,208
Deferred capital contributions (Note 5)	805,122	834,516
Commitment (Note 6)		
	2,656,916	1,500,331
FUND BALANCE		
Invested in capital assets (Note 7)	1,335,830	1,339,502
Unrestricted	164,584	(51,082)
	1,500,414	1,288,420
	\$ 4,157,330	\$ 2,788,751

Approved by the Board:

..... Director

..... Director

MCNALLY HOUSE HOSPICE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 211,994	\$ 289,496
Items not affecting cash		
Amortization of capital contributions	(29,394)	(31,484)
Depreciation	63,672	64,896
	246,272	322,908
Changes in non-cash operating assets and liabilities		
Accounts receivable	16,146	(39,064)
Harmonized Sales Tax recoverable	(38,328)	2,088
Prepaid expenses	(12,173)	(9,581)
Accounts payable and accrued charges	(16,276)	22,971
Operating grants received in advance	(7,031)	7,031
Deferred revenue	(5,000)	-
	183,610	306,353
INVESTING ACTIVITIES		
Advances to McNally Hospice Foundation	-	(8,750)
Repayments from McNally Hospice Foundation	17,034	-
Purchase of guaranteed investment certificates	(1,460,000)	-
Interest on guaranteed investment certificates reinvested	(1,575)	-
Proceeds on maturity of guaranteed investment certificate	6,257	-
Purchase of property and equipment	(30,606)	(167,259)
Deferred revenue - long-term	1,214,286	150,000
	(254,604)	(26,009)
INCREASE (DECREASE) IN CASH	(70,994)	280,344
CASH, BEGINNING OF YEAR	429,297	148,953
CASH, END OF YEAR	\$ 358,303	\$ 429,297

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2022

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 generally does not record the value of 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 2. 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 contributions

Deferred capital contributions 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 5.

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, 2022

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

Initial measurement

The Organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the organization in the transaction.

Subsequent measurement

The Organization subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

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

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

(b) Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

(c) Impairment

For financial assets measured at cost or amortized cost, the Organization determines whether there are indications of possible impairment. When there are, and the Organization determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

2. PROPERTY AND EQUIPMENT

	Annual Depreciation Rates	<u>2022</u>		<u>2021</u>	
		Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land and new building project	-	\$ 791,198	\$ -	\$ 729,785	\$ -
Building	3%	1,852,515	599,151	1,883,322	559,910
Equipment	20%	116,539	85,704	116,539	77,995
Furniture and fixtures	20%	332,216	268,523	332,216	252,600
Office and computer equipment	30%	42,005	40,143	42,005	39,344
		\$ 3,134,473	993,521	\$ 3,103,867	929,849
Net book value			\$ 2,140,952		\$ 2,174,018

3. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2022</u>	<u>2021</u>
Trade accounts	\$ 19,883	\$ 44,222
Accrued charges		
Other	9,387	9,387
Professional fees	10,000	10,000
Wages and vacation pay	78,290	70,335
Workplace Safety & Insurance Board	1,053	945
	\$ 118,613	\$ 134,889

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

4. DEFERRED REVENUE

Short-term

During the year, restricted contributions designated for a bereavement program in the amount of \$5,000 (2021 - \$nil) were received and \$10,000 (2021 - \$nil) were spent.

Long-term

During the year, the Organization received \$1,214,286 (2021 - \$150,000) as part of the Organization's Life in Every Moment campaign to build a new residential hospice and convert the existing facility into a day hospice centre. Total funds received to March 31, 2022 for this campaign to fund the new building and existing building renovations, in the amount of \$1,726,494 (2021 - \$512,208), have been deferred. As construction begins and costs are incurred amounts will be transferred to deferred capital contributions.

During the year, these deferred contributions were received from the following sources:

	<u>2022</u>	<u>2021</u>
Individuals	\$ 914,338	\$ -
Corporations	198,948	-
Foundations	100,000	150,000
Community groups, churches and other charities	1,000	-
	\$ 1,214,286	\$ 150,000

5. DEFERRED CAPITAL CONTRIBUTIONS

		<u>2022</u>		<u>2021</u>	
	Annual Amortization Rates	Capital Contributions	Accumulated Amortization	Capital Contributions	Accumulated Amortization
Building	3%	\$ 1,160,726	\$ 375,448	\$ 1,160,726	\$ 351,161
Equipment	20%	76,760	65,098	76,760	62,182
Furniture and fixtures	20%	106,986	99,620	106,986	97,779
Office and computer equipment	30%	15,945	15,129	15,945	14,779
		\$ 1,360,417	555,295	\$ 1,360,417	525,901
Net book value			\$ 805,122		\$ 834,516

6. 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.

MCNALLY HOUSE HOSPICE
 NOTES TO THE FINANCIAL STATEMENTS
 MARCH 31, 2022

7. INVESTED IN CAPITAL ASSETS

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 1,339,502	\$ 1,205,655
Purchase of property and equipment	30,606	167,259
Depreciation	(63,672)	(64,896)
Amortization of capital contributions	29,394	31,484
	\$ 1,335,830	\$ 1,339,502
Balance consists of:		
Property and equipment, at net book value	\$ 2,140,952	\$ 2,174,018
Deferred capital contributions, at net book value	(805,122)	(834,516)
	\$ 1,335,830	\$ 1,339,502

8. ECONOMIC DEPENDENCE AND SOURCES OF CONTRIBUTIONS

Approximately 47% (2021 - 38%) of the Organization's operating 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>2022</u>	<u>2021</u>
Individuals	\$ 786,925	\$ 873,204
Corporations	102,722	118,765
Foundations	109,910	112,682
Community groups, churches and other charities	17,240	29,240
	\$ 1,016,797	\$ 1,133,891

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

9. 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, 2022 is as follows:

	<u>2022</u>	<u>2021</u>
Results of operations		
Total revenue	\$ 170,569	\$ 390,079
Total expenses	121,885	81,943
Excess of revenue over expenses	\$ 48,684	\$ 308,136
Financial position		
Cash and other current assets	\$ 22,776	\$ 145,973
Short-term investments	2,227,592	2,072,745
Total assets	\$ 2,250,368	\$ 2,218,718
Total liabilities	\$ 6,000	\$ 23,034
Fund balance	2,244,368	2,195,684
	\$ 2,250,368	\$ 2,218,718
Cash flows		
Operating	\$ 85,332	\$ (26,782)
Investing	(191,691)	(40,844)
Financing	(17,034)	8,750
Decrease in cash	\$ (123,393)	\$ (58,876)

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

	<u>2022</u>	<u>2021</u>
Donation from McNally Hospice Foundation	\$ 100,000	\$ 60,000

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

MCNALLY HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

10. WAGE SUBSIDIES

In the current year, the Organization applied for \$Nil (2021 - \$53,192) under the Canada Emergency Wage Subsidy and \$Nil (2021 - \$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.

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 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, 2022 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.
