

MCNALLY HOUSE HOSPICE

Financial Statements
For the year ended March 31, 2023
and Independent Auditor's Report to the Board of Directors and Members

MCNALLY HOUSE HOSPICE
FINANCIAL STATEMENTS
MARCH 31, 2023

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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 financial statements of McNally House Hospice (the "Organization"), which comprise the balance sheet as at March 31, 2023, and the statement of revenue and expenses and fund balance and statement 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 effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2023, and its results of 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 Organization derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2023 and 2022 years. Our audit opinion on the financial statements for the year ended March 31, 2022 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 Organization 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 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 the 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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
Hamilton, Ontario
September 20, 2023

MCNALLY HOUSE HOSPICE
 STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCE
 YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
REVENUE		
Donations	\$ 379,119	\$ 552,463
Donation - McNally Hospice Foundation	100,000	100,000
Community sponsored events	27,123	39,543
Fundraising	543,741	424,791
Grants		
Province of Ontario operating	980,258	1,027,618
Summer student	-	4,456
Ontario Trillium Foundation	1,500	14,400
Turkstra Lumber	1,847	-
Amortization of capital contributions	27,608	29,394
Interest and other income	41,867	2,543
	<u>2,103,063</u>	<u>2,195,208</u>
EXPENSES		
Employment expenses	1,648,765	1,554,801
Fundraising	69,318	49,943
Professional fees	65,026	123,607
Depreciation	57,841	63,672
Insurance	42,625	28,977
Supplies	39,925	34,463
Repairs and maintenance	37,784	26,337
Office and general	33,906	31,899
Utilities	28,198	27,805
Bank charges	16,429	13,049
Capital campaign costs	9,461	9,579
Bad debts	6,451	-
Volunteer training and recognition	4,813	2,487
Advertising and promotions	2,702	1,725
Turkstra Lumber grant expenses	1,847	-
Ontario Trillium grant expenses	1,035	14,870
	<u>2,066,126</u>	<u>1,983,214</u>
EXCESS OF REVENUE OVER EXPENSES	36,937	211,994
FUND BALANCE, BEGINNING OF YEAR	<u>1,500,414</u>	<u>1,288,420</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,537,351</u>	<u>\$ 1,500,414</u>

The accompanying notes are an integral part of these financial statements.

MCNALLY HOUSE HOSPICE

BALANCE SHEET
MARCH 31, 2023

	2023	2022
ASSETS		
Current assets		
Cash	\$ 474,919	\$ 358,303
Guaranteed investment certificates	2,703,061	1,461,318
Accounts receivable	14,796	50,764
Harmonized Sales Tax receivable	142,350	102,462
Prepaid expenses	46,567	36,844
	3,381,693	2,009,691
Funds held in trust - Niagara West Palliative Care Team	9,562	6,687
Property and equipment (Note 2)	2,303,000	2,140,952
	\$ 5,694,255	\$ 4,157,330
LIABILITIES		
Current liabilities		
Accounts payable and accrued charges (Note 3)	\$ 158,764	\$ 118,613
Unearned revenue	12,240	-
Deferred contributions	3,153	-
	174,157	118,613
Trust liability - Niagara West Palliative Care Team	9,562	6,687
Deferred contributions (Note 4)	3,195,671	1,726,494
Deferred capital contributions (Note 5)	777,514	805,122
Commitment (Note 6)		
	4,156,904	2,656,916
FUND BALANCES		
Unrestricted	11,865	164,584
Invested in capital assets (Note 7)	1,525,486	1,335,830
	1,537,351	1,500,414
	\$ 5,694,255	\$ 4,157,330

Approved by the Board

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements.

MCNALLY HOUSE HOSPICE

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 36,937	\$ 211,994
Items not affecting cash		
Depreciation	57,841	63,672
Amortization of capital contributions	(27,608)	(29,394)
	<u>67,170</u>	246,272
Changes in non-cash operating assets and liabilities		
Accounts receivable	35,968	16,146
Harmonized Sales Tax recoverable	(39,888)	(38,328)
Prepaid expenses	(9,723)	(12,173)
Accounts payable and accrued charges	40,151	(16,276)
Unearned revenue	12,240	-
Operating grants received in advance	-	(7,031)
Deferred contributions - short term	3,153	(5,000)
	<u>109,071</u>	183,610
INVESTING ACTIVITIES		
Interest on guaranteed investment certificates reinvested	(41,743)	(1,575)
Purchase of guaranteed investment certificates	(1,200,000)	(1,460,000)
Proceeds on maturity of guaranteed investment certificate	-	6,257
Deferred contributions - long term	1,469,177	1,214,286
Purchase of property and equipment	(219,889)	(30,606)
Repayments from McNally Hospice Foundation	-	17,034
	<u>7,545</u>	(254,604)
INCREASE (DECREASE) IN CASH	116,616	(70,994)
CASH, BEGINNING OF YEAR	358,303	429,297
CASH, END OF YEAR	\$ 474,919	\$ 358,303

The accompanying notes are an integral part of these financial statements.

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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 business

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.

Impairment of 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 restricted 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 revenues and expenses during the reporting 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, accrued charges, determination of useful lives of property and equipment and revenue recognition.

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION — continued

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

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.

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.

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
YEAR ENDED MARCH 31, 2023

2. PROPERTY AND EQUIPMENT

	2023			2022	
	Annual Rates	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	-	\$ 459,237	\$ -	\$ 459,237	\$ -
New building project	-	544,102	-	331,961	-
Building	3%	1,852,515	636,752	1,852,515	599,151
Equipment	20%	124,287	92,647	116,539	85,704
Furniture and fixtures	20%	332,216	281,261	332,216	268,523
Office and computer equipment	30%	42,005	40,702	42,005	40,143
		3,354,362	1,051,362	3,134,473	993,521
Net book value			\$ 2,303,000		\$ 2,140,952

At March 31, 2023, \$544,102 (2022 - \$331,961) in costs for the new building project were not being depreciated as the building is not yet constructed or available for use.

3. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2023	2022
Trade accounts payable	\$ 52,665	\$ 19,883
Accrued charges		
Other	9,387	9,387
Professional fees	10,000	10,000
Wages and vacation pay	85,683	78,290
Workplace Safety & Insurance Board	1,029	1,053
	\$ 158,764	\$ 118,613

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

4. DEFERRED CONTRIBUTIONS

Short-term

During the year, restricted contributions were received from a Turkstra Lumber grant in the amount of \$5,000 (2022 - \$Nil) and \$1,847 (2022 - \$Nil) was spent.

Long-term

During the year, the Organization received \$1,469,177 (2022 - \$1,214,286) 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, 2023 for this campaign to fund the new building and existing building renovations, in the amount of \$3,195,671 (2022 - \$1,726,494), 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>2023</u>	<u>2022</u>
Individuals	\$ 684,377	\$ 914,338
Corporations	623,000	198,948
Foundations	100,000	100,000
Community groups, churches and other charities	61,800	1,000
	<u>\$ 1,469,177</u>	<u>\$ 1,214,286</u>

5. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2023</u>			<u>2022</u>	
	Annual Rates	Capital Contributions	Accumulated Amortization	Capital Contributions	Accumulated Amortization
Building	3%	\$ 1,160,726	\$ 399,006	\$ 1,160,726	\$ 375,448
Equipment	20%	76,760	67,430	76,760	65,098
Furniture and fixtures	20%	106,986	101,093	106,986	99,620
Office and computer equipment	30%	15,945	15,374	15,945	15,129
		<u>1,360,417</u>	<u>582,903</u>	1,360,417	555,295
Net book value		<u>\$ 777,514</u>		\$ 805,122	

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
YEAR ENDED MARCH 31, 2023

7. INVESTED IN CAPITAL ASSETS

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,335,830	\$ 1,339,502
Purchase of property and equipment	219,889	30,606
Depreciation	(57,841)	(63,672)
Amortization of capital contributions	27,608	29,394
	<u>\$ 1,525,486</u>	<u>\$ 1,335,830</u>

Balance consists of:

Property and equipment, at net book value	\$ 2,303,000	\$ 2,140,952
Deferred capital contributions, at net book value	(777,514)	(805,122)
	<u>\$ 1,525,486</u>	<u>\$ 1,335,830</u>

8. ECONOMIC DEPENDENCE AND SOURCES OF CONTRIBUTIONS

Approximately 47% (2022 - 47%) 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>2023</u>	<u>2022</u>
Individuals	\$ 734,041	\$ 786,925
Corporations	141,420	102,722
Foundations	11,906	109,910
Community groups, churches and other charities	62,616	17,240
	<u>\$ 949,983</u>	<u>\$ 1,016,797</u>

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2023

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, 2023 is as follows:

	<u>2023</u>	<u>2022</u>
Results of operations		
Total revenue	\$ 55,864	\$ 170,569
Total expenses	<u>(132,265)</u>	<u>(121,885)</u>
Excess (deficiency) of revenue over expenses	<u>\$ (76,401)</u>	<u>\$ 48,684</u>
Financial position		
Cash and other current assets	\$ 9,243	\$ 22,776
Short-term investments	<u>2,164,724</u>	<u>2,227,592</u>
Total assets	<u>\$ 2,173,967</u>	<u>\$ 2,250,368</u>
Total liabilities	\$ 6,000	\$ 6,000
Fund balance	<u>2,167,967</u>	<u>2,244,368</u>
	<u>\$ 2,173,967</u>	<u>\$ 2,250,368</u>
Cash flows		
Operating	\$ (11,878)	\$ 85,332
Investing	(1,837)	(191,691)
Financing	<u>-</u>	<u>(17,034)</u>
Decrease in cash	<u>\$ (13,715)</u>	<u>\$ (123,393)</u>

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

	<u>2023</u>	<u>2022</u>
Donation from McNally Hospice Foundation	<u>\$ 100,000</u>	<u>\$ 100,000</u>

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
YEAR ENDED MARCH 31, 2023

10. 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 risk arising from its financial instruments.

11. IMPACT OF COVID-19

As the pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies and organizations in different industries to varying degrees.

The ongoing impact of the COVID-19 pandemic and the uncertain economic conditions affecting major markets and economies still 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.
