

MCNALLY HOUSE HOSPICE

Financial Statements
For the year ended March 31, 2024
and Independent Auditor's Report

MCNALLY HOUSE HOSPICE
FINANCIAL STATEMENTS
MARCH 31, 2024

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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, 2024, and the statement of revenue and expenses and fund balances 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, 2024, 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 revenue over expenses, and cash flows from operations for the years ended March 31, 2024 and 2023, current assets as at March 31, 2024 and 2023, and net assets as at April 1 and March 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended March 31, 2023 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
August 1, 2024

MCNALLY HOUSE HOSPICE
STATEMENT OF REVENUE AND EXPENSES AND FUND BALANCES
YEAR ENDED MARCH 31, 2024

	<u>2024</u>	<u>2023</u>
REVENUE		
Donations	\$ 919,439	\$ 379,119
Donation - McNally Hospice Foundation	2,000,000	100,000
Community sponsored events	49,338	27,123
Fundraising	518,093	543,741
Grants		
Province of Ontario operating	1,130,068	980,258
Ontario Trillium Foundation	-	1,500
Summer student	4,904	-
Turkstra Lumber	3,270	1,847
Amortization of capital contributions	26,068	27,608
Interest and other income	204,762	41,867
	<u>4,855,942</u>	<u>2,103,063</u>
EXPENSES		
Employment expenses	1,670,618	1,648,765
Fundraising	60,838	69,318
Depreciation	53,482	57,841
Capital campaign costs	51,866	56,074
Insurance	50,233	42,625
Supplies	41,031	39,925
Carrying costs - new building project	40,835	-
Repairs and maintenance	40,412	37,784
Professional fees	29,059	18,413
Office and general	27,220	33,906
Utilities	26,946	28,198
Bank charges	17,740	16,429
Volunteer training and recognition	5,900	4,813
Turkstra Lumber grant expenses	3,270	1,847
Advertising and promotions	1,372	2,702
Bad debts	-	6,451
Ontario Trillium grant expenses	-	1,035
	<u>2,120,822</u>	<u>2,066,126</u>
EXCESS OF REVENUE OVER EXPENSES	2,735,120	36,937
FUND BALANCES, BEGINNING OF YEAR	1,537,351	1,500,414
FUND BALANCES, END OF YEAR	\$ 4,272,471	\$ 1,537,351

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

MCNALLY HOUSE HOSPICE

BALANCE SHEET
MARCH 31, 2024

	2024	2023
ASSETS		
Current assets		
Cash	\$ 162,507	\$ 474,919
Guaranteed investment certificates (Note 2)	7,257,823	2,703,061
Accounts receivable	23,900	14,796
Harmonized Sales Tax receivable	210,919	142,350
Due from McNally Hospice Foundation (Note 3)	8,057	-
Prepaid expenses	52,050	46,567
	7,715,256	3,381,693
Funds held in trust - Niagara West Palliative Care Team	9,562	9,562
Property and equipment (Note 4)	2,620,139	2,303,000
	\$ 10,344,957	\$ 5,694,255
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 118,653	\$ 158,764
Unearned revenue	-	12,240
Deferred contributions	4,883	3,153
	123,536	174,157
Trust liability - Niagara West Palliative Care Team	9,562	9,562
Deferred contributions (Note 6)	5,187,942	3,195,671
Deferred capital contributions (Note 7)	751,446	777,514
Commitment (Note 8)		
	6,072,486	4,156,904
FUND BALANCES		
Unrestricted	203,778	11,865
Invested in capital assets (Note 9)	1,868,693	1,525,486
Internally restricted (Note 9)	2,200,000	-
	4,272,471	1,537,351
	\$ 10,344,957	\$ 5,694,255

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, 2024

	<u>2024</u>	<u>2023</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 2,735,120	\$ 36,937
Items not affecting cash		
Amortization of capital contributions	(26,068)	(27,608)
Depreciation	53,482	57,841
	<u>2,762,534</u>	67,170
Changes in non-cash operating assets and liabilities		
Accounts receivable	(9,104)	35,968
Harmonized Sales Tax receivable	(68,569)	(39,888)
Prepaid expenses	(5,483)	(9,723)
Accounts payable and accrued liabilities	(40,111)	40,151
Unearned revenue	(12,240)	12,240
Deferred contributions - short term	1,730	3,153
	<u>2,628,757</u>	109,071
INVESTING ACTIVITIES		
Interest on guaranteed investment certificates reinvested	(204,762)	(41,743)
Purchase of guaranteed investment certificates	(4,350,000)	(1,200,000)
Advances to McNally Hospice Foundation	(8,057)	-
Purchase of property and equipment	(370,621)	(219,889)
Deferred contributions - long term	1,992,271	1,469,177
	<u>(2,941,169)</u>	7,545
INCREASE (DECREASE) IN CASH	(312,412)	116,616
CASH, BEGINNING OF YEAR	<u>474,919</u>	358,303
CASH, END OF YEAR	\$ 162,507	\$ 474,919

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

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

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 recorded at cost. The Organization provides for depreciation using the declining balance method, at rates indicated in Note 4, designed to depreciate the cost of the property and equipment over their estimated useful lives. In the year of acquisition depreciation is recorded at one-half the normal rate except for major additions which are depreciated 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 7.

Income taxes

No provision for income taxes is required as the Organization is exempt from income taxes.

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.

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION — continued

Financial instruments

(a) *Measurement of financial instruments*

(i) *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.

(ii) *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.

Amounts due from McNally Hospice Foundation are recorded at cost.

(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
YEAR ENDED MARCH 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION — continued

Use of estimates

The preparation of financial statements in conformity 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. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant. Accounts specifically affected by estimates in these financial statements are determination of useful lives or property and equipment, impairment of long-lived assets, accrued liabilities and revenue recognition.

External events such as domestic and international pandemics, geopolitical unrest, natural disasters, climate change or inflationary pressures may cause economic uncertainty for many companies and organizations. Management assesses available information about the future, considers the possible outcomes, and develops a planned response to mitigate the effect of significant events or changes in conditions impacting the Organization. Although it is not guaranteed that these efforts will be successful, management is of the opinion that the actions that the Organization has taken are sufficient to mitigate these uncertainties.

2. GUARANTEED INVESTMENT CERTIFICATES

The Organization holds five (2023 - one) guaranteed investment certificates which mature between September 2024 and March 2025 and earn interest at rates between 4.5% and 5.2%.

The amounts held in the guaranteed investment certificates represent unspent deferred contributions for the capital campaign in progress and other internally designated amounts, including interest earned from these investments, to be used to fund the new building project.

3. DUE FROM MCNALLY HOSPICE FOUNDATION

The amount due from McNally Hospice Foundation, a related organization as described in Note 12, is without specific terms of repayment, is non interest bearing, is unsecured and due on demand.

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

4. PROPERTY AND EQUIPMENT

	2024			2023	
	Annual Rates	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	-	\$ 459,237	\$ -	\$ 459,237	\$ -
New building project	-	913,743	-	544,102	-
Building	3%	1,852,515	673,225	1,852,515	636,752
Equipment	20%	125,267	99,073	124,287	92,647
Furniture and fixtures	20%	332,216	291,452	332,216	281,261
Office and computer equipment	30%	42,005	41,094	42,005	40,702
		3,724,983	1,104,844	3,354,362	1,051,362
Net book value			\$ 2,620,139		\$ 2,303,000

At March 31, 2024, \$913,743 (2023 - \$544,102) in costs for the new building project were not being depreciated as the building is not yet constructed or available for use.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2024	2023
Trade accounts payable	\$ 24,930	\$ 52,665
Accrued liabilities		
Other	-	9,387
Professional fees	10,000	10,000
Wages and vacation pay	83,723	85,683
Workplace Safety & Insurance Board	-	1,029
	\$ 118,653	\$ 158,764

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

6. DEFERRED CONTRIBUTIONS

Short-term

During the year, restricted contributions were received from a Turkstra Lumber grant in the amount of \$5,000 (2023 - \$5,000) and \$3,270 (2023 - \$1,847) was spent.

Long-term

During the year, the Organization received \$1,992,271 (2023 - \$1,469,177) 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, 2024 for this campaign to fund the new building and existing building renovations, in the amount of \$5,187,942 (2023 - \$3,195,671), 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>2024</u>	<u>2023</u>
Individuals	\$ 1,387,834	\$ 684,377
Corporations	340,970	577,000
Provincial Ministry of Health	150,000	-
Municipal governments	90,094	46,000
Foundations	-	100,000
Community groups, churches and other charities	23,373	61,800
	<u>\$ 1,992,271</u>	<u>\$ 1,469,177</u>

7. DEFERRED CAPITAL CONTRIBUTIONS

	<u>2024</u>			<u>2023</u>	
	Annual Rates	Capital Contributions	Accumulated Amortization	Capital Contributions	Accumulated Amortization
Building	3%	\$ 1,160,726	\$ 421,858	\$ 1,160,726	\$ 399,006
Equipment	20%	76,760	69,296	76,760	67,430
Furniture and fixtures	20%	106,986	102,272	106,986	101,093
Office and computer equipment	30%	15,945	15,545	15,945	15,374
		<u>1,360,417</u>	<u>608,971</u>	1,360,417	582,903
Net book value			<u>\$ 751,446</u>		<u>\$ 777,514</u>

8. 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, 2024

9. FUND BALANCES

Invested in capital assets consists of:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 1,525,486	\$ 1,335,830
Purchase of property and equipment	370,621	219,889
Depreciation	(53,482)	(57,841)
Amortization of capital contributions	26,068	27,608
	<u>\$ 1,868,693</u>	<u>\$ 1,525,486</u>

Balance consists of:

Property and equipment, at net book value	\$ 2,620,139	\$ 2,303,000
Deferred capital contributions, at net book value	(751,446)	(777,514)
	<u>\$ 1,868,693</u>	<u>\$ 1,525,486</u>

During the year, the Organization's Board of Directors approved the allocation of \$2,200,000 of its fund balance for the Life in Every Moment capital campaign representing the amount contributed from McNally Hospice Foundation in addition to the interest earned on this donation and other deferred capital contributions for the campaign.

10. ECONOMIC DEPENDENCE AND SOURCES OF CONTRIBUTIONS

Approximately 53% (2023 - 47%) of the Organization's ongoing operating expenses are funded by 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>2024</u>	<u>2023</u>
Individuals and estates	\$ 1,079,375	\$ 636,486
Corporations	152,898	141,420
Foundations	118,622	116,546
Community groups, churches and other charities	135,975	55,531
	<u>\$ 1,486,870</u>	<u>\$ 949,983</u>

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

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 risk arising from its financial instruments.

12. 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, 2024 is as follows:

	<u>2024</u>	<u>2023</u>
Results of operations		
Total revenue	\$ 70,093	\$ 55,864
Expenses	(22,002)	(32,265)
Donation to McNally House Hospice	(2,000,000)	(100,000)
Deficiency of revenue over expenses	<u>\$ (1,951,909)</u>	<u>\$ (76,401)</u>
Financial position		
Cash and other current assets	\$ 9,047	\$ 9,243
Short-term investments	221,069	2,164,724
Total assets	<u>\$ 230,116</u>	<u>\$ 2,173,967</u>
Total liabilities	\$ 14,058	\$ 6,000
Fund balance	216,058	2,167,967
	<u>\$ 230,116</u>	<u>\$ 2,173,967</u>

MCNALLY HOUSE HOSPICE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2024

12. CONTROLLED NOT-FOR-PROFIT ORGANIZATION NOT CONSOLIDATED — continued

Cash flows

Operating	\$ (2,050,100)	\$ (11,878)
Investing	<u>2,049,840</u>	<u>(1,837)</u>
Decrease in cash	<u>\$ (260)</u>	<u>\$ (13,715)</u>

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

	<u>2024</u>	<u>2023</u>
Donation from McNally Hospice Foundation	<u>\$ 2,000,000</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.

13. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.