

MATTHEWS HOUSE HOSPICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

Kevin W. Melnichuk, Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To The Directors of
Matthews House Hospice:

Qualified Opinion

I have audited the accompanying financial statements of Matthews House Hospice, which comprise the statement of financial position as at March 31, 2022 and the statements of operations and changes in net assets, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of Matthews House Hospice 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 charitable organizations, the organization derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Matthews House Hospice. Therefore, I was not able to determine whether any adjustments might be necessary to recorded donations and fundraising, excess of revenues over expenses, 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 years. My audit opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this scope limitation.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Matthews House Hospice in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

As of the date of this audit report no funding agreement has been signed with the Ministry of Health for the March 31, 2023 fiscal year as discussed in Note 9.

In addition, subsequent to year end, net assets totaling \$1,360,477 were transferred to the Dragonfly Spirit Foundation, a related organization, as discussed in Note 9.

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 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.

Kevin W. Melnichuk, Chartered Professional Accountant

Auditor's Responsibility for the Audit of the Financial Statements

My objective is 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 my 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, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or condition 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.

I 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 I identify during the audit.

Kevin W. Melnichuk

September 27, 2022
Oshawa, Ontario

Chartered Professional Accountant - Chartered Accountant
Licensed Public Accountant

Kevin W. Melnichuk, Chartered Professional Accountant

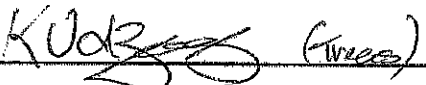
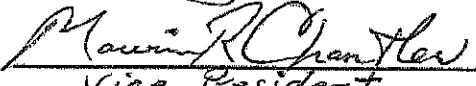
MATTHEWS HOUSE HOSPICE

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current		
Cash and term deposits	\$ 1,643,158	\$ 2,013,184
Restricted cash and term deposits (Note 5)	300,000	300,000
Accounts receivable	51,976	38,188
Due from Dragonfly Spirit Foundation (Note 9)	2,936	-
Prepaid expenses	<u>20,954</u>	<u>14,572</u>
	<u>2,019,024</u>	<u>2,365,944</u>
Capital Assets (Note 3)	<u>5,882,275</u>	<u>6,176,557</u>
	<u>\$ 7,901,299</u>	<u>\$ 8,542,501</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 170,696	\$ 235,721
Deferred revenue (Note 4)	<u>221,849</u>	<u>293,152</u>
	<u>392,545</u>	<u>528,873</u>
Long Term Liabilities		
Deferred revenue (Note 4)	<u>4,083,407</u>	<u>4,298,323</u>
	<u>4,475,952</u>	<u>4,827,196</u>
<u>NET ASSETS</u>		
Internally restricted net assets (Note 5)	300,000	300,000
Unrestricted net assets	<u>3,125,347</u>	<u>3,415,305</u>
	<u>3,425,347</u>	<u>3,715,305</u>
	<u>\$ 7,901,299</u>	<u>\$ 8,542,501</u>

Approved on behalf of the Board:

 (Director)
 (Director)
Vice President

The accompanying notes are an integral
part of the financial statements

Kevin W. Melnichuk, Chartered Professional Accountant

MATTHEWS HOUSE HOSPICE

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
REVENUE		
Donations	\$ 1,228,139	\$ 921,194
Trillium Foundation and other grants	154,109	111,321
Central LHIN funding - base funding	82,164	457,164
Central LHIN funding - residence funding	1,516,722	1,128,603
Fundraising	610,903	713,165
Government assistance - COVID-19	215,426	620,549
Other income	33,741	14,305
	<u>3,841,204</u>	<u>3,966,301</u>
EXPENSES		
Advertising and promotion	12,512	34,953
Amortization	320,258	341,646
Building occupancy	250,264	160,136
Fundraising expenses	136,221	134,231
Insurance	23,610	19,113
Interest and bank charges	28,293	19,826
Office expenses	184,032	141,572
Professional fees	39,513	47,545
Program expenses	11,146	20,701
Residence - operating expenses	68,687	49,580
Salaries, wages and benefits	3,033,959	2,147,640
Travel	2,325	539
Staff training and recruitment	11,012	16,368
Volunteer training and recognition	9,330	1,305
	<u>4,131,162</u>	<u>3,135,155</u>
EXCESS OF REVENUES OVER EXPENSES		
(EXPENSES OVER REVENUES)	(289,958)	831,146
NET ASSETS, beginning of year	<u>3,415,305</u>	<u>2,584,159</u>
NET ASSETS, end of year	<u>\$ 3,125,347</u>	<u>\$ 3,415,305</u>

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MATTHEWS HOUSE HOSPICE

STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2022

	<u>2022</u>	<u>2021</u>
SOURCE (APPLICATION) OF CASH		
From Operating Activities		
Excess of revenues over expenses (expenses over revenues)	\$ (289,958)	\$ 831,146
Plus expenses not involving an outlay of funds		
Amortization	<u>320,258</u>	<u>341,646</u>
	<u>30,300</u>	<u>1,172,792</u>
Changes in non-cash items		
Accounts receivable	(13,788)	(15,826)
Due from Dragonfly Spirit Foundation	(2,936)	-
Prepaid expenses	(6,382)	40,436
Accounts payable and accrued liabilities	(65,025)	113,004
Withholding taxes payable	-	(44,178)
Deferred revenue	<u>(286,219)</u>	<u>(281,932)</u>
Total cash from operating activities	<u>(344,050)</u>	<u>984,296</u>
From Investing Activities		
Purchase of capital assets	<u>(25,976)</u>	<u>(104,643)</u>
	<u>(25,976)</u>	<u>(104,643)</u>
Increase (Decrease) in cash	(370,026)	879,653
Cash, beginning of year	<u>2,313,184</u>	<u>1,433,531</u>
Cash, end of year	<u>\$ 1,943,158</u>	<u>\$ 2,313,184</u>
CASH DETERMINATION		
Cash and term deposits	\$ 1,643,158	\$ 2,013,184
Restricted cash and term deposits	<u>300,000</u>	<u>300,000</u>
	<u>\$ 1,943,158</u>	<u>\$ 2,313,184</u>

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2022

1) Purpose of the Organization

Matthews House Hospice was incorporated without share capital under the laws of Canada. The purpose of the organization is to provide caring and compassionate community, in-home and residential support for people affected by life threatening illnesses and end of life.

The organization is a registered charitable organization. As a registered charity it must comply with certain requirements to maintain its status under the Income Tax Act and, while registered, is exempt from income taxes and may issue income tax receipts.

2) Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Revenue Recognition

The organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Donated goods and services are not recorded in the financial statements, except when they are used in the normal course of business and when a value for such goods and services can be readily determined.

b) Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives at the following annual rates:

Capitalized residential costs	5% declining balance
Furniture and equipment	20% declining balance

Purchases in excess of \$2,500 are capitalized upon meeting the criteria for recognition as a capital asset. Otherwise, costs are expensed as incurred.

c) Contributed Services

Volunteers contribute numerous hours each year to assist in the programs. Because of the difficulty in determining the market value of such efforts, the value of contributed services has not been recognized in the financial statements.

The accompanying notes are an integral
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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2022

2) Significant Accounting Policies (continued)

d) 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 amount of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results may vary from the current estimates.

3) Capital Assets

Capital assets are stated as follows:

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2022 Net</u>	<u>2021 Net</u>
Land	\$ 635,404	\$ -	\$ 635,404	\$ 635,404
Capitalized residential costs	6,154,057	1,130,661	5,023,396	5,287,785
Furniture and equipment	<u>564,251</u>	<u>340,776</u>	<u>223,475</u>	<u>253,368</u>
	<u>\$ 7,353,712</u>	<u>\$ 1,471,437</u>	<u>\$ 5,882,275</u>	<u>\$ 6,176,557</u>

4) Deferred Revenue

Deferred revenue consists of the following:

	<u>2022</u>	<u>2021</u>
Current:		
Capital campaign	\$ 2,000	\$ -
Donations for 2022 fiscal year	-	60,759
Residence equipment	4,181	5,226
Office equipment	752	939
Capitalized residential costs	<u>214,916</u>	<u>226,228</u>
	<u>\$ 221,849</u>	<u>\$ 293,152</u>
Long-term:		
Capitalized residential costs	<u>\$ 4,083,407</u>	<u>\$ 4,298,323</u>

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2022

5) Internally Restricted Net Assets

The organization has internally restricted \$300,000 as a capital maintenance reserve to be used for capital maintenance projects. These restricted funds can be unrestricted with the approval of the majority of the board.

6) Related Party Transactions

During the year the organization entered into agreements to leased two additional properties for a period of three years to expand services. The premises leased are owned by a company controlled by a member of the board of directors. During the year, rent payments in the amount of \$44,070 were paid to the related party.

In addition, during the year the organization entered into an agreement with an investment company to provide Registered Retirement Saving Plan (RRSP) and Tax Free Savings Account (TFSA) benefits for employees. A member of the board is the investment advisor administering these investments for the investment company, which also rents space at Matthews House Hospice. Payments in the amount of \$33,385 where made for RRSP and TFSA benefits, and rent in the amount of \$6,000 (\$6,000 in 2021) was received.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties..

7) Commitments

Beginning on January 1, 2021 the organization entered into a three year licensing and support contract for their donation software program, ending December 31, 2023, requiring quarterly payments of \$8,136.

The organization has also entered into three lease agreements to lease additional space for expansion as described in notes 6 and 9. The leases run for a period of three years starting on April 1, 2021, March 1, 2022 and April 1, 2022. Two of the leases are at a monthly rate of \$3,390 and the third at a monthly rate of \$4,520.

Payments for subsequent fiscal years are follows:

March 31, 2023	\$ 168,144
March 31, 2024	160,008
March 31, 2025	<u>91,530</u>
	\$ <u>419,682</u>

8) Financial Instruments

The organization is exposed to various risks through its financial instruments. These risks include liquidity risk, credit risk and interest rate risk. The following analysis provides a measure of the organization's risk exposure at the financial statement date:

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2022

8) Financial Instruments (continued)

a) Liquidity Risk

Liquidity risk is the risk that an organization will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow from operations provides a substantial portion of the organization's cash requirements, however the organization is exposed to liquidity risk in respect to its accounts payable and accrued liabilities and withholding taxes payable.

b) Credit Risk

Credit risk is the risk that parties may default on their obligations. Credit risk on cash is minimized by holding all cash at major financial institutions. Credit risk on accounts receivable arises from the possibility that the amounts may not be paid to the organization.

c) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The organization has exposure to interest rate risk.

d) Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument or future cash flows associated with the instrument will fluctuate due to changes in market interest rates. The organization's cash includes amounts that earn interest at market rates.

9) Subsequent Events

a) Ministry of Health Funding

As of the date of this audit report, funding from the Ministry of Health has not yet been finalized. Although ongoing negotiations are underway and verbal agreements have been made, no official funding agreement is in place, nor have any funds been received for the March 31, 2023 fiscal year.

b) Dragonfly Spirit Foundation

During the year the organization incorporated a separate foundation in order to look after the fundraising and donation aspects of operations. This new foundation is called the Dragonfly Spirit Foundation and is run by the same board of directors as Matthews House Hospice. This foundation became operational as of April 1, 2022. At that date net assets in the amount of \$1,360,477 were transferred to the foundation. This represents the building (less amortization) in the amount of \$5,023,396, land in the amount of \$635,404 and deferred revenue related to the building in the amount of \$4,298,323.

c) Related Party Lease

On April 1, 2022, the organization entered into a third lease agreement owned by a company controlled by a member of the board of directors. The monthly rent amounts are included under future commitments found at Note 7.

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part of the financial statements

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