

MATTHEWS HOUSE HOSPICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

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, 2021 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, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many 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, 2021 and 2020, current assets as at March 31, 2021 and 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 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.

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.



August 4, 2021
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, 2021

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current		
Cash and term deposits	\$ 2,013,184	\$ 1,433,531
Restricted cash and term deposits (Note 5)	300,000	-
Accounts receivable	38,188	22,362
Prepaid expenses	<u>14,572</u>	<u>55,008</u>
	<u>2,365,944</u>	<u>1,510,901</u>
Capital Assets (Note 3)	<u>6,176,557</u>	<u>6,413,560</u>
	<u>\$ 8,542,501</u>	<u>\$ 7,924,461</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 235,721	\$ 122,717
Withholding taxes payable	-	44,178
Deferred revenue (Note 4)	<u>293,152</u>	<u>348,856</u>
	<u>528,873</u>	<u>515,751</u>
Long Term Liabilities		
Deferred revenue (Note 4)	<u>4,298,323</u>	<u>4,524,551</u>
	<u>4,827,196</u>	<u>5,040,302</u>
<u>NET ASSETS</u>		
Internally restricted net assets (Note 5)	300,000	-
Unrestricted net assets	<u>3,415,305</u>	<u>2,854,159</u>
	<u>3,715,305</u>	<u>2,854,159</u>
	<u>\$ 8,542,501</u>	<u>\$ 7,894,461</u>

Approved on behalf of the Board:



(Director)



(Director)

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, 2021

	<u>2021</u>	<u>2020</u>
REVENUE		
Donations	\$ 921,194	\$ 1,400,481
Trillium and new horizons grants	111,321	59,050
Central LHIN funding - base funding	457,164	82,164
Central LHIN funding - residence funding	1,128,603	1,093,721
Fundraising	713,165	707,600
Government assistance - COVID-19	620,549	-
Other income	<u>14,305</u>	<u>18,689</u>
	<u>3,966,301</u>	<u>3,361,705</u>
EXPENSES		
Advertising and promotion	34,953	9,970
Amortization	341,646	364,783
Building occupancy	160,136	133,018
Fundraising expenses	134,231	127,824
Insurance	19,113	17,511
Interest and bank charges	19,826	20,560
Office expenses	141,572	145,752
Professional fees	47,545	28,491
Program expenses	20,701	46,266
Residence - operating expenses	49,580	43,507
Salaries, wages and benefits	2,147,640	1,883,052
Travel	539	4,261
Staff training and recruitment	16,368	20,112
Volunteer training and recognition	<u>1,305</u>	<u>3,863</u>
	<u>3,135,155</u>	<u>2,848,970</u>
EXCESS OF REVENUES OVER EXPENSES	831,146	512,735
NET ASSETS, beginning of year	<u>2,884,159</u>	<u>2,371,424</u>
NET ASSETS, end of year	<u>\$ 3,715,305</u>	<u>\$ 2,884,159</u>

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MATTHEWS HOUSE HOSPICE

STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
SOURCE (APPLICATION) OF CASH		
From Operating Activities		
Excess of revenues over expenses	\$ 831,146	\$ 512,735
Plus expenses not involving an outlay of funds		
Amortization	<u>341,646</u>	<u>364,783</u>
	<u>1,172,792</u>	<u>877,518</u>
Changes in non-cash items		
Accounts receivable	(15,826)	211,076
Prepaid expenses	40,436	1,226
Accounts payable and accrued liabilities	113,004	12,448
Withholding taxes payable	(44,178)	27,381
Deferred revenue	<u>(281,932)</u>	<u>(220,934)</u>
Total cash from operating activities	<u>984,296</u>	<u>908,715</u>
From Investing Activities		
Purchase of capital assets	<u>(104,643)</u>	<u>(68,084)</u>
	<u>(104,643)</u>	<u>(68,084)</u>
Increase (Decrease) in cash	879,653	840,631
Cash, beginning of year	<u>1,433,531</u>	<u>581,900</u>
Cash, end of year	<u>\$ 2,313,184</u>	<u>\$ 1,422,531</u>
CASH DETERMINATION		
Cash and term deposits	\$ 2,013,184	\$ 1,433,531
Restricted cash and term deposits	<u>300,000</u>	<u>-</u>
	<u>\$ 2,313,184</u>	<u>\$ 1,433,531</u>

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2021

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.

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2021

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>2021 Net</u>	<u>2020 Net</u>
Land	\$ 635,404	\$ -	\$ 635,404	\$ 635,404
Capitalized residential costs	6,154,057	866,272	5,287,785	5,470,764
Furniture and equipment	<u>538,275</u>	<u>284,907</u>	<u>253,368</u>	<u>307,392</u>
	<u>\$ 7,327,736</u>	<u>\$ 1,151,179</u>	<u>\$ 6,176,557</u>	<u>\$ 6,413,560</u>

4) Deferred Revenue

Deferred revenue consists of the following:

	<u>2021</u>	<u>2020</u>
Current:		
Legacy project	\$ -	\$ 28,761
Magic of Music grant	-	49,255
Government of Canada New Horizons grant	-	25,000
Donations for 2022 fiscal year	60,759	-
Residence equipment	5,226	6,532
Office equipment	939	1,174
Capitalized residential costs	<u>226,228</u>	<u>238,134</u>
	<u>\$ 293,152</u>	<u>\$ 348,856</u>
Long-term:		
Capitalized residential costs	<u>\$ 4,298,323</u>	<u>\$ 4,524,551</u>

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NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2021

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) 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. Payments for subsequent fiscal years are as follows:

March 31, 2022	\$	32,544
March 31, 2023		32,544
March 31, 2024		<u>24,408</u>
	\$	<u>89,496</u>

7) 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:

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.

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2021

7) Financial Instruments (continued)

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.

8) Subsequent Events

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various levels of government to contain the virus have affected economic activity throughout 2020, continuing into 2021. The organization has followed all provincial and local government recommendations to monitor and mitigate the spread of COVID-19 as well as providing online options for services and other events, and accessing any financial support (in the form of grants and subsidies) available.

At this stage, the impact on our organization and results have not been significant as based on our experience to date and we expect this to remain the case. However, the organization continues to be impacted as a result of measures taken to contain the spread. The duration and impact of the COVID-19 pandemic remains unclear at this time and it is not possible to reliably estimate the duration and severity of the consequences, as well as their impact on the financial position and results of the organization for future periods.

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