

MATTHEWS HOUSE HOSPICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

Kevin W. Melnichuk, Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To The Directors of
Matthews House Hospice:

I have audited the accompanying financial statements of Matthews House Hospice, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in net assets, and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conduct my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

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, I was unable to verify revenues from donations and fundraising beyond ascertaining that the net receipts, as recorded in the accounting records, were deposited in the organization's bank account.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, these financial statements present fairly, in all material respects, the financial position of Matthews House Hospice as at March 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



August 22, 2018
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, 2018

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current		
Cash and term deposits	\$ 5,324	\$ 272,965
Restricted cash and term deposits	-	2,008,428
Accounts receivable	528,590	126,760
Prepaid expenses	<u>49,048</u>	<u>43,263</u>
	<u>582,962</u>	<u>2,451,416</u>
Capital Assets (Note 3)	<u>4,894,848</u>	<u>1,127,184</u>
	<u>\$ 5,477,810</u>	<u>\$ 3,578,600</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 633,818	\$ 36,065
Withholding taxes payable	37,621	7,535
Deferred revenue (Note 6)	<u>60,589</u>	<u>5,566</u>
	<u>732,028</u>	<u>49,166</u>
Long Term Liabilities		
Deferred revenue (Note 6)	<u>3,261,573</u>	<u>2,195,195</u>
	<u>3,993,601</u>	<u>2,244,361</u>
<u>NET ASSETS</u>		
Unrestricted net assets	<u>1,484,209</u>	<u>1,334,239</u>
	<u>1,484,209</u>	<u>1,334,239</u>
	<u>\$ 5,477,810</u>	<u>\$ 3,578,600</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, 2018

	<u>2018</u>	<u>2017</u>
REVENUE		
Donations	\$ 937,062	\$ 439,521
Trillium grant	-	11,650
Central LHIN funding - base funding	45,338	39,422
Central Community Care Access Centre funding	437,871	438,806
Fundraising	439,342	374,318
Other income	<u>2,091</u>	<u>3,017</u>
	<u>1,861,704</u>	<u>1,306,734</u>
EXPENSES		
Advertising and promotion	13,037	6,572
Amortization	16,614	18,934
Building occupancy	26,609	22,380
Fundraising expenses	120,112	101,065
Insurance	16,053	14,586
Interest and bank charges	9,889	8,330
Interest on long-term debt	-	870
Office expenses	52,631	47,886
Professional fees	5,677	3,602
Program expenses	11,108	17,494
Residence - operating expenses	100,931	103,496
Residence - salaries, wages and benefits	765,672	542,986
Salaries, wages and benefits	551,988	398,435
Travel	1,030	422
Staff training	14,503	10,399
Volunteer training and recognition	<u>5,880</u>	<u>2,695</u>
	<u>1,711,734</u>	<u>1,300,152</u>
EXCESS OF REVENUES OVER EXPENSES	149,970	6,582
NET ASSETS, beginning of year	<u>1,334,239</u>	<u>1,327,657</u>
NET ASSETS, end of year	<u>\$ 1,484,209</u>	<u>\$ 1,334,239</u>

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MATTHEWS HOUSE HOSPICE

STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
SOURCE (APPLICATION) OF CASH		
From Operating Activities		
Excess of revenues over expenses	\$ 149,970	\$ 6,582
Plus expenses not involving an outlay of funds		
Amortization	<u>16,614</u>	<u>18,934</u>
	<u>166,584</u>	<u>25,516</u>
Changes in non-cash items		
Accounts receivable	(401,830)	(109,048)
Prepaid expenses	(5,785)	(19,803)
Accounts payable and accrued liabilities	597,753	(25,159)
Withholding taxes payable	30,086	(6,289)
Deferred revenue	<u>1,121,401</u>	<u>1,677,668</u>
Total cash from operating activities	<u>1,508,209</u>	<u>1,542,885</u>
From Financing Activities		
Increase (decrease) in long term debt	<u>-</u>	<u>(46,846)</u>
From Investing Activities		
Purchase of capital assets	<u>(3,784,278)</u>	<u>(77,187)</u>
Increase (Decrease) in cash	<u>(2,276,069)</u>	<u>1,418,852</u>
Cash, beginning of year	<u>2,281,393</u>	<u>862,541</u>
Cash, end of year	<u>\$ 5,324</u>	<u>\$ 2,281,393</u>
CASH DETERMINATION		
Cash and term deposits	\$ 5,324	\$ 272,965
Restricted cash and term deposits	<u>-</u>	<u>2,008,428</u>
	<u>\$ 5,324</u>	<u>\$ 2,281,393</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ -</u>	<u>\$ 870</u>

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

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:

Building	5% declining balance
Fence and sign	20% declining balance
Parking lot	20% 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, 2018

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>2018 Net</u>	<u>2017 Net</u>
Land	\$ 778,594	\$ -	\$ 778,594	\$ 778,594
Building	279,427	102,928	176,499	185,789
Capitalized residential costs	3,910,456	-	3,910,456	126,179
Fence and sign	3,194	2,765	429	536
Parking lot	6,548	4,402	2,146	2,682
Furniture and equipment	<u>77,880</u>	<u>51,156</u>	<u>26,724</u>	<u>33,404</u>
	<u>\$ 5,056,099</u>	<u>\$ 161,251</u>	<u>\$ 4,894,848</u>	<u>\$ 1,127,184</u>

4) Commitments

During the year, the organization renewed lease agreements to rent three townhouse units for the residential program. All three leases run for a one year term, ending on May 31, 2018, August 5, 2018 and September 5, 2018. As of the date of these statements, the landlord and organization have agreed to extend each lease for an additional year, therefore the organization's commitment under these leases for the fiscal year ending March 31, 2019 is \$76,800.

5) Related Party Transactions

The premises leased under note 6 above are owned by a member of the board of directors and a company controlled by this individual. During the year, rent payments in the amount of \$76,800 were paid to the related party.

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.

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NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

6) **Deferred Revenue**

Deferred revenue consists of the following:

	<u>2018</u>	<u>2017</u>
Current:		
Accessibility project	\$ 48,549	\$ 2,555
Residence equipment	10,205	2,552
Office equipment	<u>1,835</u>	<u>459</u>
	<u>\$ 60,589</u>	<u>\$ 5,566</u>
Long-term:		
Restricted donations	\$ 3,261,573	\$ 2,134,606
Accessibility project	-	48,549
Residence equipment	-	10,205
Office equipment	<u>-</u>	<u>1,835</u>
	<u>\$ 3,261,573</u>	<u>\$ 2,195,195</u>

The restricted donations were received to pursue the concept of a residential facility which is currently under construction.

Restricted funds in the amount of \$634,648 were received during the 2014 fiscal year for the purchase of land in relation to the future residential facility. Under the deferral method of accounting for restricted contributions, funds restricted for the purchase of capital assets continue to be deferred and brought into income as the related asset is amortized. Land is not a depreciable asset and therefore the funds restricted for its purchase are reflected as a direct increase to net assets invested in capital assets.

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.

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NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2018

7) Financial Instruments (continued)

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.

8) Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's method of presentation.

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