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MATTHEWS HOUSE HOSPICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

KEVIN W. MELNICHUK CHARTERED 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, 2016 and the statements of operations, 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, 2016 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.

June 1, 2016
Oshawa, Ontario


Chartered Professional Accountant - Chartered Accountant
Licensed Public Accountant

KEVIN W. MELNICHUK CHARTERED ACCOUNTANT

MATTHEWS HOUSE HOSPICE

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current		
Cash and term deposits	\$ 472,697	\$ 411,486
Restricted cash and investments (Note 5)	389,844	416,472
Accounts receivable	17,712	34,453
Prepaid expenses	<u>23,460</u>	<u>7,358</u>
	<u>903,713</u>	<u>869,769</u>
Capital Assets (Note 3)	<u>1,068,931</u>	<u>1,049,991</u>
	<u>\$ 1,972,644</u>	<u>\$ 1,919,760</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 61,224	\$ 44,206
Withholding taxes payable	13,824	9,108
Deferred revenue (Note 5)	523,093	520,369
Current portion of long term liabilities	<u>46,846</u>	<u>16,489</u>
	<u>644,987</u>	<u>590,172</u>
Long Term Liabilities		
Mortgage payable (Note 4)	46,846	63,291
Less: current portion	<u>46,846</u>	<u>16,489</u>
	<u>-</u>	<u>46,802</u>
<u>NET ASSETS</u>		
Net assets invested in capital assets	1,022,085	986,700
Unrestricted net assets	<u>305,572</u>	<u>296,086</u>
	<u>1,327,657</u>	<u>1,282,786</u>
	<u>\$ 1,972,644</u>	<u>\$ 1,919,760</u>

Approved on behalf of the Board:

 (Director)

 (Director)

The accompanying notes are an integral
part of the financial statements

KEVIN W. MELNICHUK CHARTERED ACCOUNTANT

MATTHEWS HOUSE HOSPICE

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
REVENUE		
Donations	\$ 336,071	\$ 401,175
Trillium grant	47,300	46,425
Central LHIN funding - base funding	37,623	38,144
Central Community Care Access Centre funding	101,746	-
Fundraising	494,487	341,938
Other income	3,789	3,162
	<u>1,021,016</u>	<u>830,844</u>
EXPENSES		
Advertising and promotion	7,944	13,155
Amortization	20,630	22,648
Building occupancy	26,015	10,091
Fundraising expenses	99,049	71,318
Insurance	13,550	11,866
Interest and bank charges	7,376	5,654
Interest on long-term debt	1,557	1,946
Office expenses	46,247	22,145
Professional fees	4,654	3,638
Program expenses	9,286	7,867
Residence - operating expenses	92,025	72,631
Residence - salaries, wages and benefits	364,043	265,018
Salaries, wages and benefits	272,697	218,057
Travel	1,989	2,188
Staff training	6,869	6,206
Volunteer training and recognition	2,214	3,046
	<u>976,145</u>	<u>737,474</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 44,871</u>	<u>\$ 93,370</u>

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MATTHEWS HOUSE HOSPICE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
<u>UNRESTRICTED NET ASSETS</u>		
Balance, beginning of year	\$ 296,086	\$ 214,407
Excess of revenue over expenses	44,871	93,370
Amortization of capital assets	20,630	22,648
Additions to capital assets	(39,570)	(18,285)
Repayment of mortgage	<u>(16,445)</u>	<u>(16,054)</u>
BALANCE, END OF YEAR	<u>\$ 305,572</u>	<u>\$ 296,086</u>

NET ASSETS INVESTED IN CAPITAL ASSETS

Balance, beginning of year	\$ 986,700	\$ 975,009
Repayment of mortgage	16,445	16,054
Additions to capital assets	39,570	18,285
Amortization of capital assets	<u>(20,630)</u>	<u>(22,648)</u>
BALANCE, END OF YEAR	<u>\$ 1,022,085</u>	<u>\$ 986,700</u>

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MATTHEWS HOUSE HOSPICE

STATEMENT OF CASH FLOWS

AS AT MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
SOURCE (APPLICATION) OF CASH		
From Operating Activities		
Excess of revenues over expenses	\$ 44,871	\$ 93,370
Plus expenses not involving an outlay of funds		
Amortization	<u>20,630</u>	<u>22,648</u>
	<u>65,501</u>	<u>116,018</u>
Changes in non-cash items		
Accounts receivable	16,741	(29,123)
Prepaid expenses	(16,102)	(747)
Accounts payable and accrued liabilities	17,018	1,376
Withholding taxes payable	4,716	668
Deferred revenue	<u>2,724</u>	<u>28,246</u>
Total cash from operating activities	<u>90,598</u>	<u>116,438</u>
From Financing Activities		
Increase (decrease) in long term debt	(16,445)	(16,054)
	<u>(16,445)</u>	<u>(16,054)</u>
From Investing Activities		
Purchase of capital assets	<u>(39,570)</u>	<u>(18,285)</u>
Increase (Decrease) in cash	34,583	82,099
Cash, beginning of year	<u>827,958</u>	<u>745,859</u>
Cash, end of year	<u>\$ 862,541</u>	<u>\$ 827,958</u>
CASH DETERMINATION		
Cash and term deposits	\$ 472,697	\$ 411,486
Restricted cash and investments	<u>389,844</u>	<u>416,472</u>
	<u>\$ 862,541</u>	<u>\$ 827,958</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ 1,557</u>	<u>\$ 1,946</u>

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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2016

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 and in-home, non-medical support for people affected by life threatening illnesses.

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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NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2016

5) Deferred Revenue

Deferred revenue consists of the following:

	<u>2016</u>	<u>2015</u>
Ontario Trillium Foundation	\$ 11,650	\$ 11,650
Restricted donations	438,836	434,757
Accessibility project	53,795	56,625
Residence equipment	15,945	13,753
Office equipment	<u>2,867</u>	<u>3,584</u>
	<u>\$ 523,093</u>	<u>\$ 520,369</u>

The restricted donations were received to pursue the concept of a residential facility. These funds are currently held in cash and short term investments in money market funds.

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.

6) Commitments

During the year, the organization entered into a lease agreement to rent three townhouse units for the residential program. All three leases run for a one year term, ending on May 31, 2016, August 5, 2016 and September 5, 2016. 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, 2017 is \$76,800.

7) 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 \$73,200 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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MATTHEWS HOUSE HOSPICE

NOTES TO FINANCIAL STATEMENTS

AS AT MARCH 31, 2016

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:

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 and its mortgage payable pays interest at market rates.

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