

**ONEFOUNDATION FOR NIAGARA
HEALTH SYSTEM**

Financial Statements
for the Year Ended May 31, 2016
and Independent Auditors' Report to the Directors

ONEFOUNDATION FOR NIAGARA HEALTH SYSTEM
FINANCIAL STATEMENTS
MAY 31, 2016

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CHARTERED
PROFESSIONAL
ACCOUNTANTS

DURWARD JONES BARKWELL
& COMPANY LLP

Big enough to know. SMALL ENOUGH TO CARE.

INDEPENDENT AUDITORS' REPORT

To the Directors of
OneFoundation for Niagara Health System:

We have audited the financial statements of OneFoundation for Niagara Health System, which comprise the statement of financial position as at May 31, 2016 and the statements of operations and fund balances and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 the assessment of the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, fundraising, bequests and lotteries, 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 OneFoundation for Niagara Health System. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenditures, and cash flows from operations for the periods ended May 31, 2016 and 2015, current assets as at May 31, 2016 and 2015, and net assets as at June 1 and May 31 for both the 2016 and 2015 periods. Our audit opinion on the financial statements for the period ended May 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of OneFoundation for Niagara Health System as at May 31, 2016, 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.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

September 29, 2016

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ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

STATEMENT OF OPERATIONS AND FUND BALANCES
YEAR ENDED MAY 31, 2016

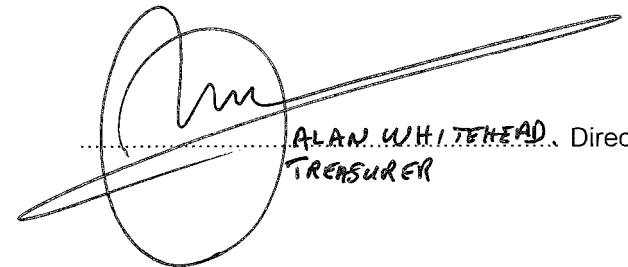
	Internally Restricted	Unrestricted	Externally Restricted	Endowment	Capital Assets	2016 Total	2015 Total
REVENUE							
Donations and fundraising	\$ 768,411	\$ 534,056	\$ 1,614,901	\$ -	\$ -	\$ 2,917,368	\$ 2,815,977
Bequests	-	442,228	110,358	-	-	552,586	601,375
Flow-through to Niagara Health System	-	-	754,836	-	-	754,836	1,079,936
Investment income	-	77,448	3,682	6,352	-	87,482	667,596
Lotteries	-	22,074	-	-	-	22,074	32,451
	768,411	1,075,806	2,483,777	6,352	-	4,334,346	5,197,335
Fundraising expenses	174,560	131,532	18,087	-	-	324,179	259,393
	593,851	944,274	2,465,690	6,352	-	4,010,167	4,937,942
EXPENDITURES							
Advertising and promotion	-	53,919	-	-	-	53,919	6,670
Amortization	-	8,696	-	-	54,568	63,264	60,100
Audit and legal	-	31,408	-	-	-	31,408	50,204
Bank and credit card charges	-	26,733	-	-	-	26,733	23,850
Meetings, travel and professional development	-	17,376	-	-	-	17,376	35,522
Membership fees	-	6,013	-	-	-	6,013	2,670
Office supplies	-	15,868	-	-	-	15,868	21,372
Postage	-	15,236	-	-	-	15,236	5,483
Repairs and maintenance	-	23,946	-	-	-	23,946	53,460
Salaries and benefits	-	1,037,908	-	-	-	1,037,908	1,080,931
Scholarships and bursaries	-	500	500	12,000	-	13,000	14,500
	-	1,237,603	500	12,000	54,568	1,304,671	1,354,762
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE TRANSFERS	593,851	(293,329)	2,465,190	(5,648)	(54,568)	2,705,496	3,583,180
TRANSFERS TO THE NIAGARA HEALTH SYSTEM	(224,115)	(567,815)	(737,124)	-	-	(1,529,054)	(4,045,665)
TRANSFERS AND ALLOCATIONS TO NIAGARA HEALTH SYSTEM - IT'S OUR TIME	-	-	(754,836)	-	-	(754,836)	(1,079,936)
INVESTMENT IN CAPITAL ASSETS	-	(8,525)	-	-	8,525	-	-
INTERFUND TRANSFERS	-	466,081	(466,081)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	369,736	(403,588)	507,149	(5,648)	(46,043)	421,606	(1,542,421)
FUND BALANCE, BEGINNING OF YEAR (Note 8)	1,681,485	5,283,630	3,232,378	895,231	172,653	11,265,377	12,807,798
FUND BALANCE, END OF YEAR	\$ 2,051,221	\$ 4,880,042	\$ 3,739,527	\$ 889,583	\$ 126,610	\$ 11,686,983	\$11,265,377

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

STATEMENT OF FINANCIAL POSITION
MAY 31, 2016

	Internally Restricted	Unrestricted	Externally Restricted	Endowment	Capital Assets	2016 Total	2015 Total
ASSETS							
Current assets							
Cash	\$ -	\$ 3,264,342	\$ -	\$ -	\$ -	\$ 3,264,342	\$ 2,997,595
Accounts receivable (Note 2)	-	45,146	-	-	-	45,146	93,988
Prepaid expenses	18,232	43,846	-	-	-	62,078	46,370
	18,232	3,353,334	-	-	-	3,371,566	3,137,953
Investments	2,115,704	1,667,962	4,484,362	889,583	-	9,157,611	8,999,068
Capital assets (Note 3)	-	-	-	-	126,610	126,610	172,653
Website	-	26,087	-	-	-	26,087	34,782
	\$ 2,133,936	\$ 5,047,383	\$ 4,484,362	\$ 889,583	\$ 126,610	\$12,681,874	\$12,344,456
LIABILITIES							
Current liabilities							
Accounts payable and accrued charges (Note 4)	\$ -	\$ 167,341	\$ 744,835	\$ -	\$ -	\$ 912,176	\$ 1,025,789
Deferred revenue	82,715	-	-	-	-	82,715	53,290
	82,715	167,341	744,835	-	-	994,891	1,079,079
Commitments (Note 5)							
FUND BALANCES	2,051,221	4,880,042	3,739,527	889,583	126,610	11,686,983	11,265,377
	\$ 2,133,936	\$ 5,047,383	\$ 4,484,362	\$ 889,583	\$ 126,610	\$12,681,874	\$12,344,456

Approved by the Board:



 ALAN WHITEHEAD, Director
 TREASURER

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 421,606	\$(1,542,421)
Amortization, an item not affecting cash	63,264	60,100
	484,870	(1,482,321)
Changes in non-cash operating assets and liabilities		
Accounts receivable	48,842	(15,583)
Prepaid expenses	(15,708)	15
Accounts payable and accrued charges	(113,613)	(1,292,606)
Deferred revenue	29,425	7,921
	433,816	(2,782,574)
INVESTING ACTIVITIES		
Purchase of capital assets	(8,526)	(4,801)
Purchase of website	-	(14,551)
Change in investments	(158,543)	(235,982)
	(167,069)	(255,334)
INCREASE (DECREASE) IN CASH	266,747	(3,037,908)
CASH, BEGINNING OF YEAR	2,997,595	6,035,503
CASH, END OF YEAR	\$ 3,264,342	\$ 2,997,595

ONEFOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

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

OneFoundation for Niagara Health System is a public charitable organization incorporated without share capital under the laws of Ontario on January 1, 2014. Its principal activities include the establishment and administration of funds to be applied toward the advancement of public health education, the purchase of direct patient diagnostic and treatment equipment and the improvement of facilities at the various Niagara Health System sites. The Foundation is registered as a public foundation under the Income Tax Act.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include donations and bequests.

Contributions are recognized as revenue when received. Cash received and paid prior to the year end for various special events are deferred and recognized as revenue and expenses in the year the event occurs.

The Unrestricted Fund accumulates contributions that have no donor restrictions and accounts for a share of the Foundation's fundraising expenses. It also reports certain investment income earned by the Foundation.

The Externally Restricted Fund accumulates contributions which must be used for the purpose specified by the donor. These purposes are for capital projects of The Niagara Health System such as the purchase of direct patient diagnostic and treatment equipment and the improvement of facilities.

The Externally Restricted Fund also accumulates contributions received by the Foundation that are to be transferred to Niagara Health System for uses specified by the donor relating to the activities of the Niagara Health System. These amounts are reported as flow-through revenue to Niagara Health System regarding the "It's Our Time" campaign. It also reports certain investment income earned by the Foundation in relation to the Blue Ribbon campaign.

The Internally Restricted Fund accumulates contributions which the Board of Directors have designated to be used for a specific purpose.

The Endowment Fund reports resources contributed for endowment. Investment income earned is reported in the Endowment Fund and is used for specific purposes according to the restrictions placed by the contributor. The original principal in the Endowment Fund amounts to \$721,922 as at May 31, 2016.

The Capital Assets Fund reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

Pledges receivable

The Foundation follows the policy of recording contributions as revenue only when the funds are received. Therefore, pledges receivable at May 31, 2016 of \$3,416,243 have not been recognized in these financial statements. Of the \$3,416,243 in pledge receivables at May 31, 2016, \$732,525 relate to flow-through funds from the "It's Our Time" campaign that will ultimately be transferred to Niagara Health System.

Investments

Investments are in preferred shares, fixed income securities and insurance policies.

Capital assets

Property and equipment are recorded at acquisition cost and are amortized over their estimated useful lives using the following rates and methods:

Trillium Donor Recognition Wall	5 years straight-line
Donor Recognition Wall	5 years straight-line
Leasehold improvements	20 years straight-line
Equipment	20% declining-balance
Computer hardware	20% declining-balance
Computer software	20% declining-balance

Intangible assets

Intangible assets with a definite life, such as website costs are recorded at acquisition cost and are amortized on a straight-line basis over their useful life of 5 years, as determined by management. Intangible assets with an indefinite life are not amortized but are adjusted for impairment when circumstances are warranted.

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.

Contributed materials and services

During the year, the Foundation received approximately \$26,500 of contributed materials for which fair value was readily obtainable. In its various events and functions throughout the year, the Foundation uses the services of many volunteers. Because of the difficulty of determining the fair value, contributed services and certain contributed materials are not recognized in the financial statements.

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (continued)

Financial instruments

(a) Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at their fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributed to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued charges.

(b) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. The write-down reflects the difference between the carrying amount and the higher of:

- (a) the present value of the cash flows expected to be generated by the asset or group of assets;
- (b) the amount that could be realized by selling the asset or group of assets;
- (c) the net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount of the previously recognized impairment.

Use of estimates

The preparation of financial statements in accordance 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. Actual results could differ from management's best estimates, as additional information becomes available in the future. Significant estimates and assumptions are used when accounting for such items as useful lives of capital assets, impairment of long-lived assets, revenue recognition, fund allocations, accrued charges, contingent liabilities and allowances on accounts receivable.

2. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Harmonized sales tax	\$ 14,954	\$ 49,034
Accrued interest	30,192	44,954
	\$ 45,146	\$ 93,988

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

3. CAPITAL ASSETS

	<u>2016</u>		<u>2015</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trillium Donor Recognition Wall	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
Donor Recognition Wall	208,853	123,008	205,324	78,912
Equipment	115,532	85,920	115,532	78,517
Computer hardware	20,324	14,677	15,327	13,265
Computer software	48,527	44,145	48,527	43,049
Leasehold improvements	18,074	16,950	18,074	16,388
	469,310	342,700	460,784	288,131
Net book value		\$ 126,610		\$ 172,653

4. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2016</u>	<u>2015</u>
Trade accounts payable	\$ 23,718	\$ 30,679
Due to Niagara Health System	870,106	886,684
Accrued charges	18,352	108,426
	\$ 912,176	\$ 1,025,789

Included in the amount due to Niagara Health System is \$744,835 (2015 - \$746,545) relating to flow-through funds received by the Foundation that have yet to be paid.

5. COMMITMENTS

As at May 31, 2016, the Foundation has made various commitments approximating \$458,272 to purchase equipment for various Niagara Health System sites. Any funds raised by the Foundation relating to these commitments that have not yet been transferred to Niagara Health System are reported in the Internally Restricted or Externally Restricted fund balances.

ONEFOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2016

6. PENSION PLAN AND EMPLOYEE BENEFITS

The Foundation reimburses Niagara Health System for contributions it makes to the Hospitals of Ontario Pension Plan ("HOOPP") on behalf of its staff. HOOPP is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits, terminating on death, based on length of service and on the average of annualized earnings during the five consecutive years prior to retirement.

The Foundation also reimburses Niagara Health System for benefits paid on behalf of its employees. These benefits include life insurance, health benefits, dental benefits and travel benefits. These benefits are also available to eligible retired employees.

Reimbursements to Niagara Health System for contributions to HOOPP and payments under the benefit plan for the period were \$78,182 and are included in salaries and benefits in the statement of operations.

The pension plan and employee benefits obligations upon retirement of the employees are the responsibility of Niagara Health System.

7. FINANCIAL RISK MANAGEMENT

The Foundation 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.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk since changes in interest rates may impact the Foundation's borrowing costs. The Foundation does not use any derivative instrument to reduce its exposure to interest rate risk.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation's investments in securities quoted in an active market exposes the Foundation to price risks as these investments are subject to price changes in an open market. The Foundation does not use derivative financial instruments to alter the effects of this risk.

It is management's opinion that the Foundation is not exposed to significant currency, credit or liquidity risks arising from its financial instruments.

8. PRIOR PERIOD BALANCES

The opening fund balances have been restated to reflect a previously unrecognized \$1,000,000 internal restriction. These funds were originally raised by the Douglas Memorial Hospital Foundation, a legacy foundation to OneFoundation for Niagara Health System, and were restricted by the Board to be used towards the specific provision of health care services for the greater Fort Erie Community. The funds had previously been reported in the Unrestricted Fund.
