

**ONEFOUNDATION FOR NIAGARA
HEALTH SYSTEM**

Financial Statements
for the Year Ended May 31, 2017
and Independent Auditors' Report to the Directors

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM
FINANCIAL STATEMENTS
MAY 31, 2017

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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, 2017 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, 2017 and 2016, current assets as at May 31, 2017 and 2016, and net assets as at June 1 and May 31 for both the 2017 and 2016 periods. Our audit opinion on the financial statements for the period ended May 31, 2016 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, 2017, 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 28, 2017

20 Corporate Park Drive
Suite 300
St. Catharines, ON L2S 3W2

T. 905.684.9221
TF. 866.219.9431
F. 905.684.0566

djb.com



ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

STATEMENT OF OPERATIONS AND FUND BALANCES
YEAR ENDED MAY 31, 2017

	Internally Restricted	Unrestricted	Externally Restricted	Endowment	Capital Assets	2017 Total	2016 Total
REVENUE							
Donations and fundraising	\$ 637,145	\$ 644,693	\$ 2,664,809	\$ -	\$ -	\$ 3,946,647	\$ 2,917,368
Bequests	-	324,930	423,328	-	-	748,258	552,586
Flow-through to Niagara Health System	-	-	188,273	-	-	188,273	754,836
Investment income	-	819,495	37,342	62,844	-	919,681	87,482
Lotteries	-	21,119	-	-	-	21,119	22,074
	637,145	1,810,237	3,313,752	62,844	-	5,823,978	4,334,346
Fundraising expenses	201,049	165,056	56,760	-	-	422,865	324,179
	436,096	1,645,181	3,256,992	62,844	-	5,401,113	4,010,167
EXPENDITURES							
Advertising and promotion	-	24,460	-	-	-	24,460	53,919
Amortization	-	8,696	-	-	51,492	60,188	63,264
Audit and legal	-	28,805	-	-	-	28,805	31,408
Bank and credit card charges	-	29,756	-	-	-	29,756	26,733
Campaign planning - South Niagara	-	60,212	-	-	-	60,212	-
Meetings, travel and professional development	-	22,526	-	-	-	22,526	17,376
Membership fees	-	9,503	-	-	-	9,503	6,013
Office supplies	-	20,393	-	-	-	20,393	15,868
Postage	-	14,558	-	-	-	14,558	15,236
Repairs and maintenance	-	36,556	-	-	-	36,556	23,946
Salaries and benefits	-	1,359,130	-	-	-	1,359,130	1,037,908
Scholarships and bursaries	-	500	500	18,000	-	19,000	13,000
	-	1,615,095	500	18,000	51,492	1,685,087	1,304,671
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE TRANSFERS	436,096	30,086	3,256,492	44,844	(51,492)	3,716,026	2,705,496
TRANSFERS TO THE NIAGARA HEALTH SYSTEM	(454,891)	(740,928)	(1,096,867)	-	-	(2,292,686)	(1,529,054)
TRANSFERS AND ALLOCATIONS TO NIAGARA HEALTH SYSTEM - IT'S OUR TIME	-	-	(188,273)	-	-	(188,273)	(754,836)
INVESTMENT IN CAPITAL ASSETS	-	(3,440)	-	-	3,440	-	-
INTERFUND TRANSFERS (Note 8)	-	185,700	(185,700)	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(18,795)	(528,582)	1,785,652	44,844	(48,052)	1,235,067	421,606
FUND BALANCE, BEGINNING OF YEAR	2,051,221	4,880,042	3,739,527	889,583	126,610	11,686,983	11,265,377
FUND BALANCE, END OF YEAR	\$ 2,032,426	\$ 4,351,460	\$ 5,525,179	\$ 934,427	\$ 78,558	\$ 12,922,050	\$11,686,983

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

STATEMENT OF FINANCIAL POSITION
MAY 31, 2017

	Internally Restricted	Unrestricted	Externally Restricted	Endowment	Capital Assets	2017 Total	2016 Total
ASSETS							
Current assets							
Cash	\$ -	\$ 3,192,590	\$ -	\$ -	\$ -	\$ 3,192,590	\$ 3,264,342
Accounts receivable (Note 2)	-	43,904	-	-	-	43,904	45,146
Prepaid expenses	15,781	15,987	-	-	-	31,768	62,078
	15,781	3,252,481	-	-	-	3,268,262	3,371,566
Investments	2,105,116	1,349,544	5,713,452	934,427	-	10,102,539	9,157,611
Capital assets (Note 3)	-	-	-	-	78,558	78,558	126,610
Website	-	17,391	-	-	-	17,391	26,087
	\$ 2,120,897	\$ 4,619,416	\$ 5,713,452	\$ 934,427	\$ 78,558	\$13,466,750	\$12,681,874
LIABILITIES							
Current liabilities							
Accounts payable and accrued charges (Note 4)	\$ -	\$ 267,956	\$ 188,273	\$ -	\$ -	\$ 456,229	\$ 912,176
Deferred revenue	88,471	-	-	-	-	88,471	82,715
	88,471	267,956	188,273	-	-	544,700	994,891
Commitments (Note 5)							
FUND BALANCES	2,032,426	4,351,460	5,525,179	934,427	78,558	12,922,050	11,686,983
	\$ 2,120,897	\$ 4,619,416	\$ 5,713,452	\$ 934,427	\$ 78,558	\$13,466,750	\$12,681,874

Approved by the Board:

..... Director

ONE FOUNDATION FOR NIAGARA HEALTH SYSTEM

STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2017

	2017	2016
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 1,235,067	\$ 421,606
Amortization, an item not affecting cash	60,188	63,264
	1,295,255	484,870
Changes in non-cash operating assets and liabilities		
Accounts receivable	1,242	48,842
Prepaid expenses	30,310	(15,708)
Accounts payable and accrued charges	(455,947)	(113,613)
Deferred revenue	5,756	29,425
	876,616	433,816
INVESTING ACTIVITIES		
Purchase of capital assets	(3,440)	(8,526)
Change in investments	(944,928)	(158,543)
	(948,368)	(167,069)
INCREASE (DECREASE) IN CASH	(71,752)	266,747
CASH, BEGINNING OF YEAR	3,264,342	2,997,595
CASH, END OF YEAR	\$ 3,192,590	\$ 3,264,342

ONEFOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

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, 2017.

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, 2017

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, 2017 of \$2,648,634 have not been recognized in these financial statements. Of the \$2,648,634 in pledge receivables at May 31, 2017, \$65,449 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 \$19,647 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, 2017

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>2017</u>	<u>2016</u>
Harmonized sales tax	\$ 19,532	\$ 14,954
Accrued interest	24,372	30,192
	\$ 43,904	\$ 45,146

ONEFOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2017

3. CAPITAL ASSETS

	<u>2017</u>		<u>2016</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trillium Donor Recognition Wall	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
Donor Recognition Wall	212,293	165,449	208,853	123,008
Equipment	115,532	91,842	115,532	85,920
Computer hardware	20,324	15,806	20,324	14,677
Computer software	48,527	45,021	48,527	44,145
Leasehold improvements	18,074	18,074	18,074	16,950
	472,750	394,192	469,310	342,700
Net book value		\$ 78,558		\$ 126,610

4. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2017</u>	<u>2016</u>
Trade accounts payable	\$ 1,691	\$ 23,718
Due to Niagara Health System	433,026	870,106
Accrued charges	21,512	18,352
	\$ 456,229	\$ 912,176

Included in the amount due to Niagara Health System is \$188,273 (2016 - \$744,834) relating to flow-through funds received by the Foundation that have yet to be paid.

5. COMMITMENTS

As at May 31, 2017, the Foundation has made various commitments approximating \$2,121,101 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, 2017

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 \$86,635 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. INTERFUND TRANSFERS

The Foundation receives externally restricted donations to be used towards the purchase of specific equipment. On occasion, the Foundation will purchase the specific equipment before sufficient funds have been raised to fully cover the cost of the equipment. In these instances, the temporary fundraising shortfall is funded by the Unrestricted Fund. As the externally restricted donations are received in future fiscal years, the Externally Restricted fund reimburses the Unrestricted Fund. During the year, the Externally Restricted Fund reimbursed the Unrestricted Fund \$185,700.

ONEFOUNDATION FOR NIAGARA HEALTH SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2017

9. SUBSEQUENT EVENT

Subsequent to the year end, Canada Revenue Agency approved the name change of the Foundation to Niagara Health Foundation.
