

NIAGARA HEALTH FOUNDATION

Financial Statements
for the Year Ended May 31, 2019
and Independent Auditor's Report to the Directors

NIAGARA HEALTH FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2019

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INDEPENDENT AUDITOR'S REPORT

**To the Directors of
Niagara Health Foundation:**

Qualified Opinion

We have audited the accompanying financial statements of Niagara Health Foundation (the Foundation), which comprise the statement of financial position as at May 31, 2019 and the statements of Operations and Fund Balances and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2019, 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 not-for-profit organizations, the Foundation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures from operations, and cash flows from operations for the years ended May 31, 2019 and 2018, current assets as at May 31, 2019 and 2018, and net assets as at June 1 and May 31 for both the 2019 and 2018 years. Our audit opinion on the financial statements for the year ended May 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation 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.

We 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 we identify during our audit.

Durward Jones Barkwell + Company LLP

Durward Jones Barkwell & Company LLP
Licensed Public Accountants

September 19, 2019



NIAGARA HEALTH FOUNDATION
STATEMENT OF OPERATIONS AND FUND BALANCES
YEAR ENDED MAY 31, 2019

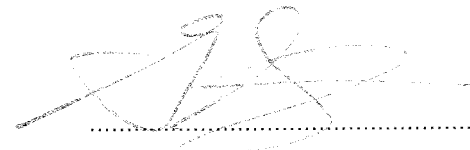
	Internally Restricted	Unrestricted	Externally Restricted	Endowment	Capital Assets	2019 Total	2018 Total
REVENUE							
Donations and fundraising	\$ 803,846	\$ 1,391,733	\$ 3,350,781	\$ -	\$ -	\$ 5,546,360	\$ 3,976,880
Bequests	-	64,326	1,358,916	-	-	1,423,242	1,860,342
Flow-through to Niagara Health System	-	-	106,284	-	-	106,284	145,719
Investment income	-	732,016	27,872	45,283	-	805,171	253,036
Lotteries	-	87,123	-	-	-	87,123	20,260
	803,846	2,275,198	4,843,853	45,283	-	7,968,180	6,256,237
Fundraising expenses	195,652	238,717	18,069	-	-	452,438	457,531
	608,194	2,036,481	4,825,784	45,283	-	7,515,742	5,798,706
EXPENDITURES							
Advertising and promotion	-	36,929	-	-	-	36,929	52,585
Amortization	-	8,696	-	-	11,631	20,327	55,023
Audit and legal	-	19,889	-	-	-	19,889	24,790
Bank and credit card charges	-	37,122	-	-	-	37,122	28,832
Meetings, travel and professional development	-	27,684	-	-	-	27,684	29,067
Membership fees	-	15,859	-	-	-	15,859	8,823
Office supplies	-	14,063	-	-	-	14,063	19,571
Postage	-	12,625	-	-	-	12,625	15,200
Repairs and maintenance	-	47,371	-	-	-	47,371	29,925
Salaries and benefits	-	1,461,951	-	-	-	1,461,951	1,323,472
Scholarships and bursaries	-	500	500	18,000	-	19,000	19,000
	-	1,682,689	500	18,000	11,631	1,712,820	1,606,288
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE TRANSFERS	608,194	353,792	4,825,284	27,283	(11,631)	5,802,922	4,192,418
TRANSFERS TO THE NIAGARA HEALTH SYSTEM	(46,854)	(54,297)	(3,506,182)	-	-	(3,607,333)	(2,283,632)
TRANSFERS AND ALLOCATIONS TO NIAGARA HEALTH SYSTEM - IT'S OUR TIME	-	-	(106,284)	-	-	(106,284)	(145,719)
INVESTMENT IN CAPITAL ASSETS	-	(5,037)	-	-	5,037	-	-
INTERFUND TRANSFERS (Note 9)	1,645,688	(2,334,789)	689,101	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	2,207,028	(2,040,331)	1,901,919	27,283	(6,594)	2,089,305	1,763,067
FUND BALANCE, BEGINNING OF YEAR	2,082,330	4,107,250	7,528,789	932,935	33,813	14,685,117	12,922,050
FUND BALANCE, END OF YEAR	\$ 4,289,358	\$ 2,066,919	\$ 9,430,708	\$ 960,218	\$ 27,219	\$ 16,774,422	\$14,685,117

NIAGARA HEALTH FOUNDATION

STATEMENT OF FINANCIAL POSITION
MAY 31, 2019

	Internally Restricted	Unrestricted	Externally Restricted	Endowment	Capital Assets	2019 Total	2018 Total
ASSETS							
Current assets							
Cash and cash equivalents (Note 2)	\$ -	\$ 2,895,914	\$ 3,856,354	\$ -	\$ -	\$ 6,752,268	\$ 4,962,822
Accounts receivable (Note 3)	-	100,022	-	-	-	100,022	62,835
Prepaid expenses	34,631	5,000	-	-	-	39,631	51,267
	34,631	3,000,936	3,856,354	-	-	6,891,921	5,076,924
Investments	4,354,752	-	5,680,638	960,218	-	10,995,608	10,044,002
Capital assets (Note 4)	-	-	-	-	27,219	27,219	33,813
Website	-	-	-	-	-	-	8,696
	\$ 4,389,383	\$ 3,000,936	\$ 9,536,992	\$ 960,218	\$ 27,219	\$17,914,748	\$15,163,435
LIABILITIES							
Current liabilities							
Accounts payable and accrued charges (Note 5)	\$ -	\$ 934,017	\$ 106,284	\$ -	\$ -	\$ 1,040,301	\$ 397,159
Deferred revenue	100,025	-	-	-	-	100,025	81,159
	100,025	934,017	106,284	-	-	1,140,326	478,318
Commitments (Note 6)							
FUND BALANCES	4,289,358	2,066,919	9,430,708	960,218	27,219	16,774,422	14,685,117
	\$ 4,389,383	\$ 3,000,936	\$ 9,536,992	\$ 960,218	\$ 27,219	\$17,914,748	\$15,163,435

Approved by the Board:



 Director

NIAGARA HEALTH FOUNDATION

STATEMENT OF CASH FLOWS
YEAR ENDED MAY 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 2,089,305	\$ 1,763,067
Amortization, an item not affecting cash	20,327	55,023
	2,109,632	1,818,090
Changes in non-cash operating assets and liabilities		
Accounts receivable	(37,187)	(18,931)
Prepaid expenses	11,636	(19,499)
Accounts payable and accrued charges	643,142	(59,070)
Deferred revenue	18,866	(7,312)
	2,746,089	1,713,278
INVESTING ACTIVITIES		
Purchase of capital assets	(5,037)	(1,583)
Change in investments	(951,606)	58,537
	(956,643)	56,954
INCREASE IN CASH	1,789,446	1,770,232
CASH, BEGINNING OF YEAR	4,962,822	3,192,590
CASH, END OF YEAR	\$ 6,752,268	\$ 4,962,822

NIAGARA HEALTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019

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

Niagara Health Foundation 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, 2019.

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

NIAGARA HEALTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

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, 2019 of \$1,680,960 have not been recognized in these financial statements.

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 \$9,894 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.

NIAGARA HEALTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019

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 cash equivalents 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.

NIAGARA HEALTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2019

2. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are funds invested in guaranteed investment certificates (GIC's) with various different financial institutions. These GIC's having maturity dates ranging from December 2019 to January 2020 and interest rates ranging from 3.00% to 3.35%.

3. ACCOUNTS RECEIVABLE

	<u>2019</u>	<u>2018</u>
Government grant	\$ -	\$ 10,325
Harmonized sales tax	21,866	28,138
Accrued interest	78,156	24,372
	\$ 100,022	\$ 62,835

4. CAPITAL ASSETS

	<u>2019</u>		<u>2018</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trillium Donor Recognition Wall	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
Donor Recognition Wall	216,290	211,011	212,293	204,864
Equipment	115,532	100,371	115,532	96,580
Computer hardware	22,948	18,413	21,907	17,280
Computer software	48,527	46,283	48,527	45,722
Leasehold improvements	18,074	18,074	18,074	18,074
	479,371	452,152	474,333	440,520
Net book value		\$ 27,219		\$ 33,813

5. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2019</u>	<u>2018</u>
Trade accounts payable	\$ 30,102	\$ 19,920
Due to Niagara Health System	990,380	357,420
Accrued charges	19,819	19,819
	\$ 1,040,301	\$ 397,159

Included in the amount due to Niagara Health System is \$106,284 (2018 - \$145,719) relating to flow-through funds received by the Foundation that have yet to be paid.

NIAGARA HEALTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019

6. COMMITMENTS

As at May 31, 2019, the Foundation has made various commitments approximating \$1,580,137 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.

7. 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 year were \$104,320 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.

8. 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.

NIAGARA HEALTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2019

9. 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 \$56,774 for prior year temporary fundraising shortfalls and the Unrestricted Fund funded the Externally Restricted Fund in the amount of \$745,875 for current year temporary fundraising shortfalls. The current year fundraising shortfalls will be repaid to the Unrestricted Funds in fiscal 2020.

During the year, the Board of Directors approved the transfer of \$1,645,688 from the Unrestricted Fund to the Internally Restricted Fund as an operating reserve to ensure sufficient funds are available in the event of unforeseen shortfalls or to fund non-recurring expenses that will build long-term capacity for the Foundation.
