

NIAGARA HEALTH FOUNDATION

Financial Statements
for the Year Ended May 31, 2023
and Independent Auditor's Report to the Directors

NIAGARA HEALTH FOUNDATION
FINANCIAL STATEMENTS
MAY 31, 2023

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CHARTERED
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INDEPENDENT AUDITOR'S REPORT

To the Directors of
Niagara Health Foundation:

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, 2023 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, the financial statements present fairly, in all material respects, the financial position of the Foundation as at May 31, 2023, 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 Opinion

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 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 28, 2023

NIAGARA HEALTH FOUNDATION
STATEMENT OF OPERATIONS AND FUND BALANCES
YEAR ENDED MAY 31, 2023

	Internally Restricted (Note 10)	Unrestricted	Externally Restricted (Note 10)	Endowment	Capital Assets	2023 Total	2022 Total
REVENUE							
Donations and fundraising	\$ 1,072,754	\$ 1,148,076	\$ 11,596,350	\$ -	\$ -	\$ 13,817,180	\$ 7,284,981
Bequests	-	3,423,748	204,717	-	-	3,628,465	981,240
Flow-through to Niagara Health System	-	-	240	-	-	240	27,338
Investment income	-	406,115	8,709	13,198	-	428,022	422,924
Lotteries	-	1,093,880	-	-	-	1,093,880	1,203,918
Fundraising expenses	1,072,754	6,071,819	11,810,016	13,198	-	18,967,787	9,920,401
Lottery expenses	255,180	173,200	248,350	-	-	676,730	435,431
	817,574	5,196,557	11,561,666	13,198	-	17,588,995	8,762,893
EXPENDITURES							
Advertising and promotion	-	73,064	-	-	-	73,064	43,311
Amortization	-	-	-	-	16,337	16,337	13,489
Audit, consulting, legal and insurance	-	67,646	-	-	-	67,646	44,726
Bank and credit card charges	-	54,430	-	-	-	54,430	40,488
Meetings, travel and professional development	-	34,802	-	-	-	34,802	27,750
Membership fees	-	16,927	-	-	-	16,927	11,409
Office supplies	-	14,989	-	-	-	14,989	5,144
Postage	-	11,881	-	-	-	11,881	10,537
Repairs and maintenance	-	76,789	-	-	-	76,789	79,796
Salaries and benefits	-	1,764,735	-	-	-	1,764,735	1,582,691
Scholarships and bursaries	-	4,000	-	6,000	-	10,000	17,000
	-	2,119,263	-	6,000	16,337	2,141,600	1,876,341
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE TRANSFERS	817,574	3,077,294	11,561,666	7,198	(16,337)	15,447,395	6,886,552
TRANSFERS TO THE NIAGARA HEALTH SYSTEM	(123,955)	(172,337)	(3,513,140)	-	-	(3,809,432)	(4,345,557)
TRANSFERS AND ALLOCATIONS TO NIAGARA HEALTH SYSTEM - IT'S OUR TIME	-	(703,276)	(91,835)	-	-	(795,111)	(737,669)
INVESTMENT IN CAPITAL ASSETS	-	(59,467)	-	-	59,467	-	-
INTERFUND TRANSFERS (Note 9)	(23,042)	23,042	-	-	-	-	-
EXCESS OF REVENUE OVER EXPENDITURES	670,577	2,165,256	7,956,691	7,198	43,130	10,842,852	1,803,326
FUND BALANCE, BEGINNING OF YEAR	4,948,223	6,040,023	15,344,910	1,020,074	50,882	27,404,112	25,600,786
FUND BALANCE, END OF YEAR	\$ 5,618,800	\$ 8,205,279	\$ 23,301,601	\$ 1,027,272	\$ 94,012	\$ 38,246,964	\$ 27,404,112

NIAGARA HEALTH FOUNDATION
STATEMENT OF FINANCIAL POSITION
MAY 31, 2023

	Internally Restricted	Unrestricted	Externally Restricted	Endowment	Capital Assets	2023 Total	2022 Total
ASSETS							
Current assets							
Cash and cash equivalents (Note 2)	-	\$ 8,331,094	\$ 1,155,870	\$ -	-	\$ 9,486,964	\$ 6,858,804
Accounts receivable (Note 3)	-	59,043	-	-	-	59,043	30,435
Prepaid expenses	37,263	80,483	-	-	-	117,746	68,773
Investments	37,263	8,470,620	1,155,870	-	-	9,663,753	6,958,012
Capital assets (Note 4)	5,689,176	-	22,145,731	1,027,272	-	28,862,179	20,733,469
	-	-	-	-	94,012	94,012	50,882
	\$ 5,726,439	\$ 8,470,620	\$ 23,301,601	\$ 1,027,272	\$ 94,012	\$38,619,944	\$27,742,363
LIABILITIES							
Current liabilities							
Accounts payable and accrued charges (Note 5)	-	\$ 195,645	-	-	-	\$ 195,645	\$ 122,278
Deferred revenue	107,639	69,698	-	-	-	177,335	215,973
	107,639	265,341	-	-	-	372,980	338,251
Commitments (Note 6)							
	5,618,800	8,205,279	23,301,601	1,027,272	94,012	38,246,964	27,404,112
FUND BALANCES	\$ 5,726,439	\$ 8,470,620	\$ 23,301,601	\$ 1,027,272	\$ 94,012	\$38,619,944	\$27,742,363

Approved by the Board:

 Director

NIAGARA HEALTH FOUNDATION
 STATEMENT OF CASH FLOWS
 YEAR ENDED MAY 31, 2023

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$10,842,852	\$ 1,803,326
Amortization, an item not affecting cash	16,337	13,489
	<u>10,859,189</u>	<u>1,816,815</u>
Changes in non-cash operating assets and liabilities		
Accounts receivable	(28,608)	36,182
Prepaid expenses	(48,973)	(48,786)
Accounts payable and accrued charges	73,367	41,890
Deferred revenue	(38,638)	170,866
	<u>10,816,337</u>	<u>2,016,967</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(59,467)	(33,876)
Change in investments	(8,128,710)	(4,310,030)
	<u>(8,188,177)</u>	<u>(4,343,906)</u>
INCREASE (DECREASE) IN CASH	2,628,160	(2,326,939)
CASH, BEGINNING OF YEAR	6,858,804	9,185,743
CASH, END OF YEAR	\$ 9,486,964	\$ 6,858,804

NIAGARA HEALTH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

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, 2023.

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

Cash and cash equivalents

Cash consists of demand deposits at the bank. Cash equivalents are short-term, one year guaranteed investment certificates that are readily convertible to known amounts of cash upon maturity and are subject to an insignificant risk of changes in value.

Pledges receivable

The Foundation follows the policy of recording contributions as revenue only when the funds are received. Therefore, pledges receivable at May 31, 2023 of \$38,628,497 have not been recognized in these financial statements.

NIAGARA HEALTH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

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

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

In its various events and functions throughout the year, the Foundation receives contributed materials and services from 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.

Financial instruments

(a) Measurement of financial instruments

Initial measurement

The Foundation initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the Foundation is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If it does, the cost is determined using its undiscounted cash flows, excluding interest and dividend payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the foundation in the transaction.

NIAGARA HEALTH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

Subsequent measurement

The Foundation subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in income in the period incurred.

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) Transaction costs

Transaction costs attributable to financial instruments subsequently measured at fair value and to those originated or exchanged in a related party transaction are recognized in income in the period incurred. Transaction costs related to financial instruments originated or exchanged in an arm's length transaction that are subsequently measured at cost or amortized cost are recognized in the original cost of the instrument. When the instrument is measured at amortized cost, transaction costs are recognized in income over the life of the instrument using the straight-line method.

(c) Impairment

For financial assets measured at cost or amortized cost, the Foundation determines whether there are indications of possible impairment. When there are, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in income. If the indicators of impairment have decreased or no longer exist, the previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may be no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

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, 2023

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 in April 2024 and interest rates of 5.00%.

3. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Harmonized sales tax	\$ 40,577	\$ 22,624
Accrued interest	18,466	7,811
	<u>\$ 59,043</u>	<u>\$ 30,435</u>

4. CAPITAL ASSETS

	<u>2023</u>		<u>2022</u>	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Trillium Donor Recognition Wall	\$ 58,000	\$ 58,000	\$ 58,000	\$ 58,000
Donor Recognition Wall	240,269	223,305	224,010	217,711
South Niagara Donor Recognition Wall	34,079	-	-	-
Equipment	123,270	113,622	122,922	111,209
Computer hardware	67,530	37,078	58,749	29,465
Computer software	51,574	48,705	51,574	47,988
Leasehold improvements	18,074	18,074	18,074	18,074
	<u>592,796</u>	<u>498,784</u>	<u>533,329</u>	<u>482,447</u>
Net book value		<u>\$ 94,012</u>		<u>\$ 50,882</u>

South Niagara Donor Recognition Wall cost of \$34,079 for planned constructions not implemented or ready for use at May 31, 2023 and for which no depreciation was recorded in fiscal 2023.

5. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	<u>2023</u>	<u>2022</u>
Trade accounts payable	\$ 41,840	\$ 5,096
Due to Niagara Health System	137,613	98,182
Accrued charges	16,192	19,000
	<u>\$ 195,645</u>	<u>\$ 122,278</u>

NIAGARA HEALTH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MAY 31, 2023

6. COMMITMENTS

As at May 31, 2023, the Foundation has made various commitments approximating \$5,934,984 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 will be reported in the Internally Restricted, Unrestricted or Externally Restricted fund balances in future years.

The Foundation has also committed \$7,910,000 to support the purchase of an additional MRI for Niagara Health System. As at May 31, 2023, the Foundation has paid \$784,475 to Niagara Health System towards these commitments. These commitments will be fulfilled from funds raised in the Internally Restricted Fund and Externally Restricted Fund.

The Foundation has also committed payments of \$795,111 for each of the next two years to fulfill its commitment relating to the It's Our Time campaign.

The Foundation has committed to fundraising a minimum of \$40,000,000 to support the construction of a new hospital in South Niagara. At May 31, 2023, the Foundation has raised \$11,714,538 and has pledged receivable of \$37,329,500 towards this commitment. The funds raised at May 31, 2023 are reported in the Internally Restricted fund and Externally Restricted fund.

Subsequent to year end, the Foundation received a \$60,000,000 donation to support Niagara Health. \$45,000,000 of the donation will address priority patient care needs and the advancement and treatment of health needs at Niagara Health, \$10,000,000 of the donation will support the Walker Family Cancer Centre and \$5,000,000 of the donation will support building the new South Niagara Hospital.

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 \$136,723 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.

NIAGARA HEALTH FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

MAY 31, 2023

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) 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 interest rate, currency, credit or liquidity risks arising from its financial instruments.

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, no reimbursements were made from the Externally Restricted Fund to the Unrestricted Fund for prior year temporary fundraising shortfalls.

During the year, \$23,042 was transferred from the Internally Restricted Fund to the Unrestricted Fund as the annual adjustment to the Board-approved operating reserve, which is intended 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.

10. INTERNALLY RESTRICTED AND EXTERNALLY RESTRICTED FUND BALANCE

The Internally and Externally Restricted fund balances include \$340,635 and \$11,290,277 respectively related to the New South Niagara Site.

11. IMPACT OF COVID-19 PANDEMIC

As the COVID-19 pandemic continues to evolve with the emergence of new variants, entities may experience conditions often associated with general economic downturn, including but not limited to, financial market volatility, declining credit, potential return of government intervention, changes in labour markets, and other restructuring activities. The continuation of these circumstances could have a negative impact on an entity's financial conditions and results. Further, inflation, supply-chain disruptions, and labour shortages are affecting companies in different industries to varying degrees.

The ongoing impact of the pandemic and the uncertain economic conditions affecting major markets and economies still remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods.

