

Discovery Health Care Foundation Inc.

Financial statements
March 31, 2020



Independent auditors' report

To the Board of Directors of
Discovery Health Care Foundation Inc.

Qualified opinion

We have audited the financial statements of Discovery Health Care Foundation Inc. [the "Foundation"], which comprise the statement of financial position as at March 31, 2020, and the statement of operations, statement of changes in net financial assets, and statement 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 accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020 and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for qualified opinion

In common with many non-profit organizations, the Foundation derives revenue from fundraising programs, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our 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 programs revenue, annual surplus (deficit), and cash provided by (used in) operating activities for the years ended March 31, 2020 and 2019, current assets as at March 31, 2020 and 2019 and accumulated surplus as at March 31, 2020, March 31, 2019, and April 1, 2018. Our audit opinion on the financial statements for the year ended March 31, 2019 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 is sufficient and appropriate to provide a basis for our qualified audit 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 public sector accounting standards, 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.



Auditors' 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.

Ernst + Young LLP

St. John's, Canada
September 15, 2020

Chartered Professional Accountants



Discovery Health Care Foundation Inc.

Statement of financial position

As at March 31

	2020	2019
	\$	\$
Financial assets		
Cash	465,409	413,474
Due from federal government	1,066	1,156
	<u>466,475</u>	<u>414,630</u>
Liabilities		
Accrued liabilities	717	694
Due to Eastern Regional Health Authority [note 3]	12,440	23,936
Accrued vacation pay	12,240	10,704
Employee future benefits		
Accrued sick leave [note 4]	2,264	2,902
Total liabilities	<u>27,661</u>	<u>38,236</u>
Net financial assets	<u>438,814</u>	<u>376,394</u>
Accumulated surplus	<u>438,814</u>	<u>376,394</u>

See accompanying notes

On behalf of the Board:

Director




Director

Discovery Health Care Foundation Inc.

Statement of operations

Year ended March 31

	2020	2019
	\$	\$
Revenue		
Fundraising programs	259,864	250,882
Government grants	50,000	71,300
50/50 lottery	32,006	34,211
Interest	5,281	1,967
	<u>347,151</u>	<u>358,360</u>
Expenses		
Donations <i>[note 5]</i>	166,380	81,755
Salaries and benefits	75,069	72,373
50/50 lottery	16,003	17,106
Fundraising programs	12,704	12,483
Administration	9,858	2,856
Travel, conferences and meetings	3,029	4,673
Accrued sick leave <i>[note 4]</i>	919	953
Miscellaneous	769	571
Accrued severance expense	—	6,214
	<u>284,731</u>	<u>198,984</u>
Annual surplus	<u>62,420</u>	<u>159,376</u>
Accumulated surplus, beginning of year	376,394	217,018
Accumulated surplus, end of year	<u>438,814</u>	<u>376,394</u>

See accompanying notes

Discovery Health Care Foundation Inc.

Statement of changes in net financial assets

Year ended March 31

	2020	2019
	\$	\$
Annual surplus	<u>62,420</u>	<u>159,376</u>
Net increase in net financial assets during the year	62,420	159,376
Net financial assets, beginning of year	<u>376,394</u>	<u>217,018</u>
Net financial assets, end of year	<u>438,814</u>	<u>376,394</u>

See accompanying notes

Discovery Health Care Foundation Inc.

Statement of cash flows

Year ended March 31

	2020	2019
	\$	\$
Operating activities		
Annual surplus	62,420	159,376
Add (deduct):		
Accrued severance	—	6,214
Benefit payments	—	(21,272)
Accrued sick leave	(638)	(559)
Net change in non-cash working capital balances related to operations <i>[note 6]</i>	(9,847)	(2,545)
Cash provided by operating activities	51,935	141,214
Net change in cash during the year	51,935	141,214
Cash, beginning of year	413,474	272,260
Cash, end of year	465,409	413,474

See accompanying notes

Discovery Health Care Foundation Inc.

Notes to financial statements

March 31, 2020

1. Nature of operations

Discovery Health Care Foundation Inc. [the "Foundation"] is a not-for-profit organization that raises funds for the Eastern Regional Health Authority [the "Authority"] and was incorporated in 1989 under the *Corporations Act* of Newfoundland and Labrador. The Foundation is based in Clarenville, Newfoundland and Labrador, and operates for the purpose of accumulating funds to assist the Authority with the purchase of medical equipment used in the provision of patient care.

The Foundation is a registered charity with the *Income Tax Act* (Canada) and is exempt from income tax.

The Foundation does not prepare an annual operating or capital budget. Canadian Public Sector Accounting Standards ["PSAS"] Section PS 1201, *Financial Statement Presentation*, requires the preparation of an annual budget and a comparison of actual and budgeted financial results of a government entity's management of both its economic and financial resources to provide key accountability information about the government entity's performance in achieving its operational and spending plans. Specifically, PS 1201 requires a comparison of the results for the operating period and the changes in net financial assets with those originally planned. The Foundation has not included this comparison in these financial statements as the Foundation does not prepare an annual operating or capital budget; based on the nature of the Foundation's activities, the Board of Directors has not required a formal budget to be prepared and approved.

2. Significant accounting policies

These financial statements have been prepared in accordance with PSAS established by the Public Sector Accounting Standards Board of the Chartered Professional Accountants of Canada. The significant accounting policies used in the preparation of these financial statements are as follows:

Revenue recognition

Government grant revenue without eligibility criteria and stipulations restricting its use is recognized as revenue when the transfers are received. Government transfers with stipulations restricting their use are recognized as revenue when the transfer is authorized and the eligibility criteria are met by the Foundation, except when and to the extent the transfer gives rise to an obligation that constitutes a liability. When the transfer gives rise to an obligation that constitutes a liability, the transfer is recognized in revenue when the liability is settled.

Revenue from fundraising is recognized in the accounts of the Foundation in the period in which it is received. Revenue from 50/50 lotto is recognized on a gross basis with the payout being recognized in expenses.

All other revenue is recognized as earned and when collectability is reasonably assured.

Expenses

Expenses are recorded on the accrual basis as they are incurred and measurable based on receipt of goods or services and obligation to pay.

Discovery Health Care Foundation Inc.

Notes to financial statements

March 31, 2020

Asset classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not to be consumed in the normal course of operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed in normal operations and are not for resale.

Cash includes cash on hand and balances with banks including any short-term investments.

Employee future benefits

Accrued severance pay

Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with nine years of continual service with the Foundation or another public sector employer. Severance is payable when the employee ceases employment with the Foundation or the public sector. The severance benefit liability has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on the Province of Newfoundland and Labrador's [the "Province"] long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees, which is 13 years.

Accrued sick leave

Employees of the Foundation are entitled to sick leave benefits, which accumulate but do not vest. In accordance with PSAS for post-employment benefits and compensated balances, the Foundation recognizes the liability in the period in which the employee renders service. The liability is actuarially determined using assumptions based on management's best estimates of the probability of use of accrued sick leave, future salary and wage changes, employee age, the probability of departure, retirement age, the discount rate and other factors. Discount rates are based on the Province's long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees, which is 13 years.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement is earned.

Pension costs

Employees of the Foundation are members of the Public Service Pension Plan and the Government Money Purchase Plan [the "Plans"] administered by the Government of Newfoundland and Labrador. The Plans, which are defined benefit plans, are considered multi-employer plans. Contributions to the Plans are required from both the employees and the Foundation. The annual contributions for pensions are recognized as salaries and benefits expense as incurred and amounted to \$5,719 for the year ended March 31, 2020 [2019 – \$5,514].

Discovery Health Care Foundation Inc.

Notes to financial statements

March 31, 2020

Financial instruments

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. The Foundation determines the classification of its financial instruments at initial recognition.

Cash is recorded at fair value. Other financial instruments, including revenue receivable, and due to/from government/other government entities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Areas requiring the use of management estimates include the assumptions used in the valuation of employee future benefits. Actual results could differ from these estimates.

Contributed services

Volunteers contribute a significant amount of their time each year assisting the Foundation in carrying out its service delivery activities. Due to the difficulty in determining fair value, contributed services are not recognized in these financial statements.

3. Due to Eastern Regional Health Authority

The Authority is considered to be a related party of the Foundation as both the Foundation and the Authority are considered to be controlled by the provincial government of Newfoundland and Labrador.

The amount due to the Authority includes \$12,440 [2019 – \$11,791] related to payroll services performed by the Authority on behalf of the Foundation and \$nil [2019 – \$12,145] related to equipment purchased by the Authority on behalf of the Foundation, for which the Foundation reimburses the Authority.

Transactions between the Foundation and the Authority are measured at their exchange amount. The amount is non-interest bearing and has no set terms of repayment.

Discovery Health Care Foundation Inc.

Notes to financial statements

March 31, 2020

4. Accrued sick leave

The Foundation provides sick leave benefits to employees, which accumulate but do not vest. The actuarial valuation for accrued sick leave was performed effective March 31, 2019, and an extrapolation of that valuation has been performed to March 31, 2020.

	2020	2019
	\$	\$
Accrued sick leave liability, beginning of year	2,902	3,461
Benefit expense		
Current service cost	309	298
Interest cost	177	224
Amortization of actuarial losses and other	433	431
	919	953
	3,821	4,414
Benefits paid	(1,557)	(1,512)
Accrued sick leave liability, end of year	2,264	2,902

Significant actuarial assumptions used in measuring the accrued sick leave liability are as follows:

	2020	2019
	%	%
Discount rate	3.25	3.05
Rate of compensation increase	0.75	0.75

Discovery Health Care Foundation Inc.

Notes to financial statements

March 31, 2020

5. Donations

	2020	2019
	\$	\$
Sentimag monitor and probe – Clarenville	95,332	—
Sleeper chairs (two) and cuddle beds (two) – Palliative Care – Clarenville	34,950	—
Equipment for staff fitness center – Golden Heights Manor – Clarenville	14,928	—
Blanket warmer – Protective Care Residence – Bonavista	5,149	—
Card access for gazebo door – Golden Heights Manor – Bonavista	4,239	—
Material for vegetable garden – Dr. Albert O'Mahony Memorial Manor – Clarenville	1,230	—
Blinds for chemotherapy unit - Clarenville	778	—
Blinds for palliative care waiting room – Golden Heights Manor – Bonavista	701	—
Pictures for intensive care unit – Clarenville	301	—
Building supplies, landscaping, design services, weathervane, barbeque and chairs (sixteen) for gazebo – Dr. Albert O'Mahony Memorial Manor – Clarenville	—	48,634
Concrete ramps and walkways for hospital – Bonavista	—	8,922
Warming cabinet and mattress – Long Term Care – Golden Heights Manor – Bonavista	—	7,148
Exercise equipment – Golden Heights Manor – Bonavista	—	6,996
Sofa and lamps (two) – Palliative Care – Clarenville	—	2,536
Pictures (eighteen) – Revitalization Campaign – Clarenville	—	1,818
Flooring and sheet cushions (six) – Dialysis – Bonavista	—	1,650
Sheet wall (eight) and accessories for kitchenette – Palliative Care – Golden Heights Manor – Bonavista	—	1,537
Wound management booklets – Long Term Care – Clarenville and Bonavista	—	1,000
Christmas trees (two) and stand – Dr. Albert O'Mahony Memorial Manor – Clarenville	—	946
TV and mount – Chemotherapy – Clarenville	—	568
	166,380	81,755

6. Statement of cash flows

The net change in non-cash working capital balances related to operations is as follows:

	2020	2019
	\$	\$
Due from federal government	90	3,560
Accrued liabilities	23	(18,903)
Due to Eastern Regional Health Authority	(11,496)	12,449
Accrued vacation pay	1,536	349
	(9,847)	(2,545)

Notes to financial statements

March 31, 2020

7. Financial instruments and risk management

Financial risk factors

The Foundation has exposure to credit risk and liquidity risk. The Foundation's Board of Directors has overall responsibility for the oversight of these risks and reviews the Foundation's policies on an ongoing basis to ensure that these risks are appropriately managed. The sources of risk exposure and how each is managed are outlined below.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligation. The Foundation's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk with respect to accounts receivable is not material.

Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. As at March 31, 2020, the Foundation had cash of \$465,409 [2019 – \$413,474] and continues to be in a position to meet its obligations.

To the extent that the Foundation does not believe that it has sufficient liquidity to meet current obligations, consideration will be given to obtaining additional funds through third-party financing or other fundraising methods, assuming these can be obtained.

8. COVID-19 – Global Pandemic

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ["COVID-19"] as a pandemic which has resulted in a series of public health and emergency measures that have been put into place to combat the spread of the virus. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Management considered the impact of COVID-19 in its assessment of the Foundation's assets and liabilities and its ability to continue as a going concern. Although COVID-19 may have an impact on funding and operations, measures will be implemented to ensure that the Foundation is still able to maintain its core operations. Based on the assessment, management believes that the Foundation continues to have sufficient liquid resources to manage operations through the next year.