

# Discovery Health Care Foundation Inc.

Financial statements  
March 31, 2018





## Independent auditors' report

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

We have audited the accompanying financial statements of **Discovery Health Care Foundation Inc.** [the "Foundation"], which comprise the statement of financial position as at March 31, 2018, and the statements of operations, changes in net financial assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility 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.

### **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 auditors' 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 auditors consider 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.

### **Basis for qualified opinion**

The Foundation derives revenue from the general public in the form of donations and other fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation, and we were not able to determine whether any adjustments might be necessary to revenue, annual surplus, financial assets and net financial assets as at April 1, 2017, March 31, 2018 and for the year ended March 31, 2018.

We draw attention to note 1 of the financial statements, which describes that the Foundation has not included a comparison of actual versus planned operating results and changes in net financial assets in the financial statements, as a formal budget was not prepared or approved by the Foundation's Board of Directors. The preparation of a budget and the comparison to actual results is required under Canadian public sector accounting standards.



**Qualified opinion**

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of **Discovery Health Care Foundation Inc.** as at March 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Ernst + Young LLP*

St. John's, Canada  
September 27, 2018

Chartered Professional Accountants



Discovery Health Care Foundation Inc.

Statement of financial position

As at March 31

	2018	2017
	\$	\$
<b>Financial assets</b>		
Cash	272,260	392,709
Due from federal government	4,716	2,094
	<u>276,976</u>	<u>394,803</u>
<b>Liabilities</b>		
Accrued liabilities	19,597	314
Due to Eastern Regional Health Authority [note 3]	11,487	16,824
Accrued vacation pay	10,355	11,087
Employee future benefits		
Accrued sick leave [note 5]	3,461	4,434
Accrued severance pay [note 4]	15,058	12,780
<b>Total liabilities</b>	<u>59,958</u>	<u>45,439</u>
<b>Net financial assets</b>	<u>217,018</u>	349,364
<b>Accumulated surplus</b>	<u>217,018</u>	349,364

See accompanying notes

On behalf of the Board:



Director

Director



Discovery Health Care Foundation Inc.

Statement of operations

Year ended March 31

	2018	2017
	\$	\$
<b>Revenue</b>		
Fundraising programs	129,404	225,629
Government grants	35,000	60,000
50/50 lotto	34,692	29,863
Interest	4,021	4,158
	<u>203,117</u>	<u>319,650</u>
<b>Expenses</b>		
Donations <i>[note 6]</i>	180,509	267,570
Salaries and benefits	69,680	67,885
Fundraising programs	58,037	10,780
50/50 lotto	17,346	14,922
Administration	5,145	6,085
Travel, conferences and meetings	2,855	932
Accrued severance pay <i>[note 4]</i>	2,278	2,188
Miscellaneous	586	565
Accrued sick leave (recovery) <i>[note 5]</i>	(973)	(867)
	<u>335,463</u>	<u>370,060</u>
<b>Annual deficit</b>	<u>(132,346)</u>	<u>(50,410)</u>
Accumulated surplus, beginning of year	349,364	399,774
<b>Accumulated surplus, end of year</b>	<u>217,018</u>	<u>349,364</u>

See accompanying notes

Discovery Health Care Foundation Inc.

Statement of changes in net financial assets

Year ended March 31

	2018	2017
	\$	\$
<b>Annual deficit</b>	<b>(132,346)</b>	<b>(50,410)</b>
Net decrease in net financial assets during the year	<b>(132,346)</b>	<b>(50,410)</b>
Net financial assets, beginning of year	<b>349,364</b>	399,774
<b>Net financial assets, end of year</b>	<b>217,018</b>	<b>349,364</b>

See accompanying notes

Discovery Health Care Foundation Inc.

Statement of cash flows

Year ended March 31

	2018	2017
	\$	\$
<b>Operating activities</b>		
Annual deficit	(132,346)	(50,410)
Add (deduct) items not affecting cash		
Accrued severance pay	2,278	2,188
Accrued sick leave	(973)	(867)
Net change in non-cash working capital balances related to operations <i>[note 7]</i>	10,592	(79,448)
<b>Cash used in operating activities</b>	<b>(120,449)</b>	<b>(128,537)</b>
<b>Net decrease in cash during the year</b>	<b>(120,449)</b>	<b>(128,537)</b>
Cash, beginning of year	392,709	521,246
<b>Cash, end of year</b>	<b>272,260</b>	<b>392,709</b>

See accompanying notes



## Discovery Health Care Foundation Inc.

### Notes to financial statements

March 31, 2018

#### 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:

##### Adoption of new accounting standards

During the year, the Foundation adopted the new accounting standards PS 2200, *Related Party Disclosures*, and PS 3420 *Inter-entity Transactions*. These new standards are effective for fiscal years beginning on or after April 1, 2017. PS 2200 defines a related party and establishes disclosures required for related party transactions. PS 3420 establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective. The adoption of these accounting standards will be applied on a prospective basis and did not have any impact on the financial statements.

##### 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.



## Discovery Health Care Foundation Inc.

### Notes to financial statements

March 31, 2018

#### **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.

#### **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 an expense as incurred and amounted to \$5,298 for the year ended March 31, 2018 [2017 – \$5,076].

## Discovery Health Care Foundation Inc.

### Notes to financial statements

March 31, 2018

#### 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 \$\$11,487 [2017 – \$6,404] related to payroll services performed by the Authority on behalf of the Foundation and nil [2017 – \$10,420] 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, 2018

**4. Accrued severance pay**

The Foundation provides a severance payment to employees, as stipulated in their conditions of employment, upon retirement, resignation or termination without cause. The most recent actuarial valuation for the accrued severance liability was performed effective March 31, 2015, and an extrapolation of that valuation has been performed to March 31, 2018.

	2018	2017
	\$	\$
<b>Accrued severance liability, beginning of year</b>	<b>12,780</b>	10,592
Benefit expense		
Current service cost	989	960
Interest cost	710	649
Amortization of actuarial losses and other	579	579
	<b>2,278</b>	2,188
<b>Accrued severance liability, end of year</b>	<b>15,058</b>	12,780

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

	2018	2017
	%	%
Discount rate	3.30	3.70
Rate of compensation increase		
2015:	3.75	3.75
2016 to 2019:	0.75	3.75
2020 onwards:	3.75	3.75

Significant actuarial assumptions used in measuring the severance benefit expense are as follows:

	2018	2017
	%	%
Discount rate	3.30	3.70
Rate of compensation increase		
2015:	3.75	3.75
2016 to 2019:	0.75	3.75
2020 onwards:	3.75	3.75

Discovery Health Care Foundation Inc.

Notes to financial statements

March 31, 2018

**5. 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, 2015, and an extrapolation of that valuation has been performed to March 31, 2018.

	2018	2017
	\$	\$
Accrued sick leave liability, beginning of year	4,434	5,301
Benefit expense		
Current service cost	661	642
Interest cost	339	391
Amortization of actuarial losses and other	522	522
	<u>1,522</u>	<u>1,555</u>
	5,956	6,856
Benefits paid	<u>(2,495)</u>	<u>(2,422)</u>
<b>Accrued sick leave liability, end of year</b>	<b><u>3,461</u></b>	<b><u>4,434</u></b>

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

	2018	2017
	%	%
Discount rate	3.30	3.70
Rate of compensation increase		
2015:	3.75	3.75
2016 to 2019:	0.75	3.75
2020 onwards:	<u>3.75</u>	<u>3.75</u>

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

	2018	2017
	%	%
Discount rate	3.30	3.70
Rate of compensation increase		
2015:	3.75	3.75
2016 to 2019:	0.75	3.75
2020 onwards:	<u>3.75</u>	<u>3.75</u>



## Discovery Health Care Foundation Inc.

### Notes to financial statements

March 31, 2018

#### 6. Donations

	2018	2017
	\$	\$
Chairs, various furniture, signage, pictures, numbering system, tv and mount – Refurbishing Campaign – Clarenville	79,032	—
Ultrasound and blanket warmer – Dialysis – Clarenville	37,610	—
Endoscopes [two] – Operating Room – Clarenville	25,000	—
Concrete ramp and railing for gazebo – Golden Heights Manor – Bonavista	19,568	—
PCA pump and items – Palliative Care – Clarenville	6,744	—
Entrance door, sheeting and supplies – Dialysis – Bonavista	6,631	—
Wheel chairs [two] and overbed tables [five] – Day Surgery – Clarenville	2,181	—
TV – Hand hygiene	1,000	—
Walker – Golden Heights Manor – Bonavista	790	—
Flooring – Palliative Care – Bonavista	499	—
Drywall and supplies – Palliative Care – Golden Heights Manor – Bonavista	443	—
Games and other items – Obstetrics – Clarenville	373	—
Monitor stand – Emergency – Clarenville	277	—
Flowers – Protective Care – Bonavista	205	—
Christmas items – Dr. Albert O'Mahony Memorial Manor – Clarenville	112	—
Plants – Recreation Therapy – Dr. Albert O'Mahony Memorial Manor – Clarenville	44	—
Mini C-Arm, lead aprons [twelve] and glasses [six] – Operating Room – Clarenville	—	94,420
Ultrasound, entrance door, blanket warmer, ice machine, arm chairs [two] and furniture – Dialysis – Bonavista	—	57,326
Ventilator – Emergency – Clarenville	—	22,000
Chairs with brass plates [eighty] and love seat & sofa – Golden Heights Manor – Bonavista	—	20,557
Ultrasound, TVs [ten] and iPads with cases [two] – Dialysis – Clarenville	—	18,302
Vital signs monitors & stands [three], medicine cart, oximeters [five], stethoscopes [eight] and vascular doppler – Comfort in Care – Clarenville	—	17,076
ipads and Cases – Hand hygiene	—	9,000
PCA pump – Palliative Care – Clarenville	—	5,790
Furniture and garden items – Protective Care – Bonavista	—	5,267
Sleeper chairs [four] – Medical Surgical – Clarenville	—	4,842
Cabinets, counter top, sink, microwave, dining table & chairs, faucets [two] and light fixtures – Palliative Care – Bonavista	—	3,932
Ophthalmoscopes [six], otoscopes [three], blood pressure apparatus and over-bed table – Ambulatory Care – Clarenville	—	3,852
Traction splints – Air Ambulance [two]/Pediatrics [one] – Clarenville	—	1,641
Microwave, console, refrigerator & prints [two] – Palliative Care – Golden Heights Manor	—	1,225

## Discovery Health Care Foundation Inc.

### Notes to financial statements

March 31, 2018

	2018	2017
	\$	\$
Visitor chairs with plates and engravings [nine] – Obstetrics – Clarenville	—	1,129
Treadmill for exercise room – Clarenville	—	1,075
iTunes cards & reader case – Recreation Therapy – Bonavista	—	136
	<b>180,509</b>	<b>267,570</b>

#### 7. Statement of cash flows

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

	2018	2017
	\$	\$
Due from federal government	<b>(2,622)</b>	(472)
Accrued liabilities	<b>19,283</b>	(2,373)
Due to Eastern Regional Health Authority	<b>(5,337)</b>	(50,946)
Accrued vacation pay	<b>(732)</b>	(657)
Deferred contributions	—	(25,000)
	<b>10,592</b>	<b>(79,448)</b>

#### 8. 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, 2018, the Foundation had cash of \$272,260 [2017 – \$392,709] 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.