

Trinity-Conception-Placentia Health Foundation Inc.

Financial statements
March 31, 2018



Independent auditors' report

To the Board of Directors of
Trinity-Conception-Placentia Health Foundation Inc.

We have audited the accompanying financial statements of **Trinity-Conception-Placentia Health 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.

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. This 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 **Trinity-Conception-Placentia Health 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
October 29, 2018

Chartered Professional Accountants

Trinity-Conception-Placentia Health Foundation Inc.

Statement of financial position

As at March 31

	2018	2017
	\$	\$
Financial assets		
Cash	789,046	714,933
Accounts receivable	2,997	2,997
Due from federal government	6,564	2,078
Due from other government entities	11,122	602
Total financial assets	809,729	720,610
Liabilities		
Accounts payable and accrued liabilities	3,887	3,374
Due to Eastern Regional Health Authority <i>[note 4]</i>	171,744	219,029
Employee future benefits		
Accrued severance pay <i>[note 5]</i>	45,826	41,559
Accrued sick leave <i>[note 6]</i>	8,021	9,826
Accrued vacation pay	171,016	159,288
Total liabilities	400,494	433,076
Net financial assets	409,235	287,534
Accumulated surplus	409,235	287,534

See accompanying notes

On behalf of the Board:

Director



Director



Trinity-Conception-Placentia Health Foundation Inc.

Statement of operations

Year ended March 31

	2018	2017
	\$	\$
Revenue		
50/50 lottery	549,241	526,846
Donations	359,790	367,742
Government grants	50,000	50,000
In-kind donations	26,805	17,048
Interest	10,947	10,121
SEED grant	5,740	5,625
	<u>1,002,523</u>	<u>977,382</u>
Expenses		
50/50 lottery	295,815	284,583
Donations <i>[note 7]</i>	241,539	551,181
Salaries and benefits	163,802	164,611
Fundraising projects	128,099	102,422
Accrued vacation pay	11,728	13,291
Travel	11,650	13,555
Other	9,812	11,770
Interest and bank charges	6,261	7,118
Contribution to SEED students	5,740	5,625
Accrued severance pay <i>[note 5]</i>	4,267	4,058
Office supplies and postage	3,914	1,232
Accrued sick leave recovery <i>[note 6]</i>	(1,805)	(1,601)
	<u>880,822</u>	<u>1,157,845</u>
Annual surplus (deficit)	121,701	(180,463)
Accumulated surplus, beginning of year	<u>287,534</u>	467,997
Accumulated surplus, end of year	<u>409,235</u>	287,534

See accompanying notes

Trinity-Conception-Placentia Health Foundation Inc.

Statement of changes in net financial assets

Year ended March 31

	2018	2017
	\$	\$
Annual surplus (deficit)	121,701	(180,463)
Net increase in net assets	121,701	(180,463)
Net financial assets, beginning of year	287,534	467,997
Net financial assets, end of year	409,235	287,534

See accompanying notes

Trinity-Conception-Placentia Health Foundation Inc.

Statement of cash flows

Year ended March 31

	2018	2017
	\$	\$
Operating activities		
Annual surplus (deficit)	121,701	(180,463)
Add (deduct) items not affecting cash		
Accrued sick leave	(1,805)	(1,601)
Accrued severance pay	4,267	4,058
Net change in non-cash working capital balances related to operations <i>[note 8]</i>	(50,050)	(202,977)
Cash provided by (used in) operating activities	74,113	(380,983)
Net increase (decrease) in cash during the year	74,113	(380,983)
Cash, beginning of year	714,933	1,095,916
Cash, end of year	789,046	714,933

See accompanying notes

Trinity-Conception-Placentia Health Foundation Inc.

Notes to financial statements

March 31, 2018

1. Nature of operations

Trinity-Conception-Placentia Health Foundation Inc. [the "Foundation"] is a not-for-profit organization that raises funds for the Eastern Regional Health Authority [the "Authority"] and was incorporated under the *Corporations Act* of Newfoundland and Labrador. The Foundation is based in Carbonear, 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 and, as a not-for-profit organization, is exempt from income taxes.

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

Basis of accounting

These financial statements have been prepared by management in accordance with PSAS as promulgated by 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 lottery is recognized on a gross basis with a corresponding amount 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.

Trinity-Conception-Placentia Health Foundation Inc.

Notes to financial statements

March 31, 2018

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

Cash includes cash on hand and balances with banks.

Accrued vacation pay

Vacation pay is accrued for all employees as entitlement to these payments is earned.

Employee future benefits

Accrued severance pay

Employees of the Foundation 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 [the "Province"] long-term borrowing rate. Actuarial gains and losses are deferred and amortized over the average remaining service life of employees.

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.

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. Contributions to the Plans are required from both the employees and the Foundation. The annual contributions to pensions are recognized as an expense in the year on an accrual basis and amounted to \$13,098 for the year ended March 31, 2018 [2017 – \$13,102].

Trinity-Conception-Placentia Health 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 accounts receivable, accounts payable and accrued liabilities, 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. 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.

4. 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 net amounts due from the Authority includes \$4,549 [2017 – \$11,311 receivable] related to payroll services performed by the Authority on behalf of the Foundation and \$176,293 [2017 – \$230,340] related to equipment purchased by the Authority on behalf of the Foundation.

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.

Trinity-Conception-Placentia Health Foundation Inc.

Notes to financial statements

March 31, 2018

5. 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, 2017 and March 31, 2018.

	2018 \$	2017 \$
Accrued severance liability, beginning of year	41,559	37,501
Benefit expense		
Current service cost	2,315	2,247
Interest cost	1,667	1,526
Amortization of actuarial gains and other	285	285
	4,267	4,058
Accrued severance liability, end of year	45,826	41,559

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	3.75	3.75

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

	2018 %	2017 %
Discount rate	3.30	3.70
Rate of compensation increase	3.75	3.75

Trinity-Conception-Placentia Health Foundation Inc.

Notes to financial statements

March 31, 2018

6. 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, 2017 and March 31, 2018.

	2018	2017
	\$	\$
Accrued sick leave liability, beginning of year	9,826	11,427
Benefit expense		
Current service cost	1,894	1,839
Interest cost	711	811
Amortization of actuarial losses and other	1,049	1,049
	3,654	3,699
	13,480	15,126
Benefits paid	(5,459)	(5,300)
Accrued sick leave liability, end of year	8,021	9,826

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	3.75	3.75

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

	2018	2017
	%	%
Discount rate	3.30	3.70
Rate of compensation increase	3.75	3.75

Trinity-Conception-Placentia Health Foundation Inc.

Notes to financial statements

March 31, 2018

7. Donations

	2018	2017
	\$	\$
Olympus – Various Medical Equipment	61,715	—
CareFusion	61,272	—
22 Desktop Software Players	20,363	—
8 Six Drawer Crash Carts & IV Poles	18,314	—
2 Ultra Sound Scanning Beds	17,184	—
3 Stretchers	15,485	—
Tonometer/Pachymeter	14,283	—
Ultra Sound Scanning Bed	8,592	—
5 Sleeper Chairs	6,147	—
Sleep Recorder Kits	4,300	—
4 Chairs	3,017	—
20 Tray Drawer Kits	2,811	—
5 Lead Aprons	1,678	—
Recliner	1,450	—
Defibrillator	1,210	—
Reclining Sofa	1,181	—
TV	947	—
Padded Seat	640	—
Hippo Hug Blankets	615	—
Table and chairs	335	—
C-ARM System	—	217,156
Operating Room Table	—	72,907
Ureter-scope/Telescope	—	71,013
Ultra Sound System	—	63,850
H Laser System	—	54,317
Hand Hygiene Intel Work Station (22)	—	16,998
Televisions	—	9,821
Surgical Examination Light	—	8,730
Macerator DIS Sys	—	8,654
Glasses, Lead Aprons	—	7,476
Hand Hygiene Television Wall Mounts (22)	—	4,069
Hand Hygiene	—	3,600
Rocking Chair	—	2,810
Safety Glasses	—	2,771
Sleeper Chairs	—	2,375
Bariatric Room Chair	—	1,715
Reclining Sofa	—	934
Commodes	—	786
Christmas tree	—	430
Television	—	272
Canadian Tire Item	—	266
Television & Mount for Dialysis Hand Hygiene	—	231
	<u>241,539</u>	<u>551,181</u>

Trinity-Conception-Placentia Health Foundation Inc.

Notes to financial statements

March 31, 2018

8. Statement of cash flows

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

	2018	2017
	\$	\$
Accounts receivable	(10,520)	—
Due from federal government	(4,486)	3,189
Accounts payable and accrued liabilities	513	797
Accounts due to Eastern Regional Health Authority	(47,285)	(220,254)
Accrued vacation pay	11,728	13,291
	<u>(50,050)</u>	<u>(202,977)</u>

9. Financial instruments and risk management

Financial risk

The Foundation is exposed to a number of risks as a result of the financial instruments on its statement of financial position that can affect its operating performance. These risks include 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 \$789,046 [2017 – \$714,933] 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.