

DRAFT #4a
December 18, 2018

Financial Statements of

**FEDERATED HEALTH
CHARITIES CORPORATION**

Year ended September 30, 2018

INDEPENDENT AUDITORS' REPORT

To the Members of Federated Health Charities Corporation

We have audited the accompanying financial statements of Federated Health Charities Corporation, which comprise the statement of financial position as at September 30, 2018, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 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.

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 our 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Federated Health Charities Corporation derives revenue from contributions, 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 Federated Health Charities Corporation. Therefore, we were not able to determine whether, as at and for the years ended September 30, 2018 and September 30, 2017, any adjustments might be necessary to contributions and excess of revenue over expenses reported in the statements of operations, excess of revenue over expenses in the statements of cash flows and current assets and net assets reported in the statements of financial position. This has caused us to qualify our opinion on the financial statements as at and for the year ended September 30, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Federated Health Charities Corporation as at September 30, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

DRAFT

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

FEDERATED HEALTH CHARITIES CORPORATION

DRAFT Statement of Financial Position

September 30, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 509,743	\$ 716,794
Accounts receivable and prepaid expenses	103,047	91,306
Short-term investments (note 2)	210,430	211,212
	<u>\$ 823,220</u>	<u>\$ 1,019,312</u>

Liabilities and Net Assets

Current liabilities:		
Due to member charities	\$ 491,225	\$ 702,335
Accounts payable and accrued liabilities	15,451	12,068
	<u>506,676</u>	<u>714,403</u>
Net assets:		
Unrestricted	104,467	96,909
Internally restricted (note 6)	212,077	208,000
	<u>316,544</u>	<u>304,909</u>
	<u>\$ 823,220</u>	<u>\$ 1,019,312</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

FEDERATED HEALTH CHARITIES CORPORATION

DRAFT Statement of Operations

Year ended September 30, 2018, with comparative information for 2017

	2018	2017
Contributions (note 3)	\$ 1,809,205	\$ 1,886,716
Distributions (note 4)	1,809,205	1,886,716
	—	—
Revenue:		
Administration fees	312,076	325,691
Expenses:		
Salaries and wages	195,651	193,851
Campaign	44,893	36,052
Lottery	26,337	26,576
Professional fees	11,477	10,390
Administrative	15,211	8,258
Volunteer management and recognition	8,030	8,000
	301,599	283,127
	10,477	42,564
Other income	1,158	1,723
Excess of revenue over expenses	\$ 11,635	\$ 44,287

DRAFT Statement of Changes in Net Assets

Year ended September 30, 2018, with comparative information for 2017

			2018	2017
	Internally restricted (note 6)	Unrestricted net assets	Total	Total
Net assets, beginning of year	\$ 208,000	\$ 96,909	\$ 304,909	\$ 260,622
Interfund transfer	4,077	(4,077)	—	—
Excess of revenue over expenses	—	11,635	11,635	44,287
Net assets, end of year	\$ 212,077	\$ 104,467	\$ 316,544	\$ 304,909

See accompanying notes to financial statements.

FEDERATED HEALTH CHARITIES CORPORATION

DRAFT Statement of Cash Flows

Year ended September 30, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 11,635	\$ 44,287
Accounts receivable and prepaid expenses	(11,741)	(1,698)
Due to member charities	(211,110)	(49,994)
Accounts payable and accrued liabilities	3,383	(1,475)
	(207,833)	(8,880)
Investing activities:		
Decrease (increase) in short-term investments	782	(1,325)
Decrease in cash	(207,051)	(10,205)
Cash, beginning of year	716,794	726,999
Cash, end of year	\$ 509,743	\$ 716,794

See accompanying notes to financial statements.

FEDERATED HEALTH CHARITIES CORPORATION

DRAFT Notes to Financial Statements

Year ended September 30, 2018

Federated Health Charities Corporation (the "Organization") is a coalition of provincially based charities in Ontario dedicated to raising funds for its charity members within the Ontario Public Service that will support health education and awareness, medical research, and client and patient services. The Organization was previously incorporated under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in March 2014. The Organization is a public foundation under the Income Tax Act (Canada) and, as such, is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

The Organization follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Administration fees paid in advance of the year they are intended for are reported as deferred revenue.

(b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

FEDERATED HEALTH CHARITIES CORPORATION

DRAFT Notes to Financial Statements (continued)

Year ended September 30, 2018

1. Significant accounting policies (continued):

(c) Volunteer services:

The Organization benefits substantially from services in the form of volunteer time. These invaluable services are not recorded in these financial statements.

(d) In-kind donations:

Donated items are recorded when a fair market value can be reasonably estimated.

(e) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses and changes in net assets during the year. Actual results could differ from those estimates.

2. Short-term investments:

The Organization has guaranteed investment certificates in the amount of \$210,430 (2017 - \$211,212), with interest rates ranging from 0.55% to 1.00% (2017 - 0.55%) and maturity dates ranging from October 2018 to April 2019 (2017 - October 2017 to June 2018).

3. Contributions:

Contributions consist of the following:

	2018	2017
Payroll deductions:		
Ministries	\$ 1,099,187	\$ 1,037,102
Agencies	103,340	184,219
Cash donations	129,861	125,352
Special events	368,202	435,318
Lottery	108,615	104,725
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	\$ 1,809,205	\$ 1,886,716

FEDERATED HEALTH CHARITIES CORPORATION

DRAFT Notes to Financial Statements (continued)

Year ended September 30, 2018

4. Distributions:

Distributions to member charities consist of the following:

	2018	2017
Canadian Cancer Society - Ontario Division	\$ 264,264	\$ 276,905
Heart and Stroke	189,414	193,923
Diabetes Canada	141,526	149,508
Hemophilia Ontario	61,706	69,322
Spinal Cord Injury Ontario	70,039	78,376
The Kidney Foundation of Canada	83,092	91,543
The Ontario Lung Association	78,258	87,376
Alzheimer Society of Ontario	186,515	198,652
The Arthritis Society - Ontario Division	100,003	107,782
Crohn's and Colitis Canada	107,171	114,203
Ontario Federation for Cerebral Palsy	66,545	74,142
Cystic Fibrosis Canada	72,753	80,944
Canadian Liver Foundation	73,591	82,742
Ontario AIDS Network	88,016	94,658
Osteoporosis Canada	68,907	76,686
Schizophrenia Society of Ontario	104,868	109,954
ALS Society of Canada	52,537	—
	<u>\$ 1,809,205</u>	<u>\$ 1,886,716</u>

5. Related parties:

The majority of the members of the Board of Directors are representatives of the member charities that receive the distributions from the Organization. The distributions paid to the member charities are outlined in note 4. The administration fees received from the member charities to cover the operating expenses of the Organization are included as administration fees revenue.

6. Internally restricted net assets:

In 2013, the Board of Directors resolved to set aside funds to cover future unforeseen administration costs. The use of these funds is at the discretion of the Board of Directors. A total of 212,077 (2017 - \$208,000) has been internally restricted by the Board of Directors for this purpose.

FEDERATED HEALTH CHARITIES CORPORATION

DRAFT Notes to Financial Statements (continued)

Year ended September 30, 2018

7. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.