

***DRAFT #3***  
***November 29, 2019***

Financial Statements of

**FEDERATED HEALTH  
CHARITIES CORPORATION**

And Independent Auditors' Report thereon

Year ended September 30, 2019

## INDEPENDENT AUDITORS' REPORT

To the Members of Federated Health Charities Corporation

### ***Qualified Opinion***

We have audited the financial statements of Federated Health Charities Corporation (the Entity), which comprise:

- the statement of financial position as at September 30, 2019
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at September 30, 2019 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.

### ***Basis for Qualified Opinion***

In common with many not-for-profit organizations, the Entity 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 the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at September 30, 2019 and September 30, 2018
- the contributions and excess of revenue over expenses reported in the statements of operations for the years ended September 30, 2019 and September 30, 2018

- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended September 30, 2019 and September 30, 2018
- the excess of revenue over expenses reported in the statements of cash flows for the years ended September 30, 2019 and September 30, 2018.

Our opinion on the financial statements for the year ended September 30, 2018 was qualified accordingly because of the possible effects on 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity 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 opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibility 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 auditors' 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 the 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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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 represents the underlying transactions and events in a manner that achieves fair presentation.
- 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.

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Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

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# FEDERATED HEALTH CHARITIES CORPORATION

## *DRAFT* Statement of Financial Position

September 30, 2019, with comparative information for 2018

|  | 2019              | 2018              |
|--|-------------------|-------------------|
| <b>Assets</b>                            |                   |                   |
| Current assets:                          |                   |                   |
| Cash                                     | \$ 425,088        | \$ 509,743        |
| Accounts receivable and prepaid expenses | 129,010           | 103,047           |
| Short-term investments (note 2)          | 221,996           | 210,430           |
|  | <u>\$ 776,094</u> | <u>\$ 823,220</u> |

## Liabilities and Net Assets

|  |                   |                   |
|--|-------------------|-------------------|
| Current liabilities:                     |                   |                   |
| Due to member charities                  | \$ 440,836        | \$ 491,225        |
| Accounts payable and accrued liabilities | 18,714            | 15,451            |
|  | <u>459,550</u>    | <u>506,676</u>    |
| Net assets:                              |                   |                   |
| Unrestricted                             | 100,390           | 104,467           |
| Internally restricted (note 6)           | 216,154           | 212,077           |
|  | <u>316,544</u>    | <u>316,544</u>    |
|  | <u>\$ 776,094</u> | <u>\$ 823,220</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, 2019, with comparative information for 2018

|                                      | 2019         | 2018         |
|--------------------------------------|--------------|--------------|
| Contributions (note 3)               | \$ 1,782,990 | \$ 1,809,205 |
| Distributions (note 4)               | 1,782,990    | 1,809,205    |
|                                      | —            | —            |
| Revenue:                             |              |              |
| Administration fees                  | 292,090      | 312,076      |
| Expenses:                            |              |              |
| Salaries, benefits and wages         | 194,005      | 195,651      |
| Campaign                             | 29,853       | 44,893       |
| Lottery                              | 26,528       | 26,337       |
| Administrative                       | 19,809       | 15,211       |
| Professional fees                    | 13,465       | 11,477       |
| Volunteer management and recognition | 9,917        | 8,030        |
|                                      | 293,577      | 301,599      |
|                                      | (1,487)      | 10,477       |
| Other income                         | 1,487        | 1,158        |
| Excess of revenue over expenses      | \$ —         | \$ 11,635    |

## **DRAFT** Statement of Changes in Net Assets

Year ended September 30, 2019, with comparative information for 2018

|                                 |                                      |                            | 2019       | 2018       |
|---------------------------------|--------------------------------------|----------------------------|------------|------------|
|                                 | Internally<br>restricted<br>(note 6) | Unrestricted<br>net assets | Total      | Total      |
| Net assets, beginning of year   | \$ 212,077                           | \$ 104,467                 | \$ 316,544 | \$ 304,909 |
| Interfund transfer              | 4,077                                | (4,077)                    | —          | —          |
| Excess of revenue over expenses | —                                    | —                          | —          | 11,635     |
| Net assets, end of year         | \$ 216,154                           | \$ 100,390                 | \$ 316,544 | \$ 316,544 |

See accompanying notes to financial statements.

# FEDERATED HEALTH CHARITIES CORPORATION

## *DRAFT* Statement of Cash Flows

Year ended September 30, 2019, with comparative information for 2018

|   | 2019       | 2018       |
|---|------------|------------|
| Cash provided by (used in):                   |            |            |
| Operating activities:                         |            |            |
| Excess of revenue over expenses               | \$ —       | \$ 11,635  |
| Accounts receivable and prepaid expenses      | (25,963)   | (11,741)   |
| Due to member charities                       | (50,389)   | (211,110)  |
| Accounts payable and accrued liabilities      | 3,263      | 3,383      |
|   | (73,089)   | (207,833)  |
| Investing activities:                         |            |            |
| Decrease (increase) in short-term investments | (11,566)   | 782        |
| Decrease in cash                              | (84,655)   | (207,051)  |
| Cash, beginning of year                       | 509,743    | 716,794    |
| Cash, end of year                             | \$ 425,088 | \$ 509,743 |

See accompanying notes to financial statements.

# FEDERATED HEALTH CHARITIES CORPORATION

## **DRAFT** Notes to Financial Statements

Year ended September 30, 2019

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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, 2019

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## 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 \$221,996 (2018 - \$210,430), with interest rates ranging from 1.00% to 1.25% (2018 - 0.55% to 1.00%) and maturity dates ranging from October 2019 to April 2020 (2018 - October 2018 to April 2019).

## 3. Contributions:

Contributions consist of the following:

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|                     | 2019         | 2018         |
|---------------------|--------------|--------------|
| Payroll deductions: |              |              |
| Ministries          | \$ 1,134,432 | \$ 1,099,187 |
| Agencies            | 75,985       | 103,340      |
| Cash donations      | 132,800      | 129,861      |
| Special events      | 330,338      | 368,202      |
| Lottery             | 109,435      | 108,615      |
|                     | <hr/>        | <hr/>        |
|                     | \$ 1,782,990 | \$ 1,809,205 |

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# FEDERATED HEALTH CHARITIES CORPORATION

**DRAFT** Notes to Financial Statements (continued)

Year ended September 30, 2019

## 4. Distributions:

Distributions to member charities consist of the following:

|  | 2019                | 2018                |
|--|---------------------|---------------------|
| Canadian Cancer Society - Ontario Division | \$ 261,197          | \$ 264,264          |
| Heart and Stroke                           | 185,208             | 189,414             |
| Diabetes Canada                            | 132,727             | 141,526             |
| Hemophilia Ontario                         | 59,855              | 61,706              |
| Spinal Cord Injury Ontario                 | 66,931              | 70,039              |
| The Kidney Foundation of Canada            | 84,545              | 83,092              |
| The Ontario Lung Association               | 74,792              | 78,258              |
| Alzheimer Society of Ontario               | 189,424             | 186,515             |
| The Arthritis Society - Ontario Division   | 93,714              | 100,003             |
| Crohn's and Colitis Canada                 | 99,540              | 107,171             |
| Ontario Federation for Cerebral Palsy      | 61,928              | 66,545              |
| Cystic Fibrosis Canada                     | 72,662              | 72,753              |
| Canadian Liver Foundation                  | 69,051              | 73,591              |
| Ontario AIDS Network                       | 81,098              | 88,016              |
| Osteoporosis Canada                        | 67,535              | 68,907              |
| Schizophrenia Society of Ontario           | 99,240              | 104,868             |
| ALS Society of Canada                      | 83,543              | 52,537              |
|  | <u>\$ 1,782,990</u> | <u>\$ 1,809,205</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 \$216,154 (2018 - \$212,077) has been internally restricted by the Board of Directors for this purpose.