

Financial Statements of

**FEDERATED HEALTH
CHARITIES CORPORATION**

And Independent Auditors' Report thereon

Year ended September 30, 2021



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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, 2021
- 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, 2021 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, 2021 and September 30, 2020
- the contributions and excess of revenue over expenses reported in the statements of operations for the years ended September 30, 2021 and September 30, 2020



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- 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, 2021 and September 30, 2020
- the excess of revenue over expenses reported in the statements of cash flows for the years ended September 30, 2021 and September 30, 2020.

Our opinion on the financial statements for the year ended September 30, 2020 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.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report 2021.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Annual Report 2021 as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.



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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

February 22, 2022

FEDERATED HEALTH CHARITIES CORPORATION

Statement of Financial Position

September 30, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 285,371	\$ 310,424
Accounts receivable and prepaid expenses	148,574	127,039
Short-term investments (note 2)	247,827	240,755
	<u>\$ 681,772</u>	<u>\$ 678,218</u>

Liabilities and Net Assets

Current liabilities:		
Due to member charities	\$ 262,542	\$ 283,927
Accounts payable and accrued liabilities (note 3)	23,066	32,312
	<u>285,608</u>	<u>316,239</u>
Net assets:		
Unrestricted	151,472	129,518
Internally restricted (note 7)	244,692	232,461
	<u>396,164</u>	<u>361,979</u>
	<u>\$ 681,772</u>	<u>\$ 678,218</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

FEDERATED HEALTH CHARITIES CORPORATION

Statement of Operations

Year ended September 30, 2021, with comparative information for 2020

	2021	2020
Contributions (note 4)	\$ 1,574,000	\$ 1,408,469
Distributions (note 5)	1,574,000	1,408,469
	-	-
Revenue:		
Administration fees	376,345	361,851
Expenses:		
Salaries, benefits and wages	207,541	200,295
Campaign	61,561	55,129
Lottery	26,962	27,253
Administrative	26,016	18,200
Professional fees	14,804	11,563
Volunteer management and recognition	8,271	6,433
	345,155	318,873
	31,190	42,978
Interest income	2,995	2,457
Excess of revenue over expenses	\$ 34,185	\$ 45,435

Statement of Changes in Net Assets

Year ended September 30, 2021, with comparative information for 2020

			2021	2020
	Internally restricted (note 7)	Unrestricted net assets	Total	Total
Net assets, beginning of year	\$ 232,461	\$ 129,518	\$ 361,979	\$ 316,544
Excess of revenue over expenses	-	34,185	34,185	45,435
Interfund transfer	12,231	(12,231)	-	-
Net assets, end of year	\$ 244,692	\$ 151,472	\$ 396,164	\$ 361,979

See accompanying notes to financial statements.

FEDERATED HEALTH CHARITIES CORPORATION

Statement of Cash Flows

Year ended September 30, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 34,185	\$ 45,435
Change in non-cash operating working capital:		
Accounts receivable and prepaid expenses	(21,535)	1,971
Due to member charities	(21,385)	(156,909)
Accounts payable and accrued liabilities	(9,246)	13,598
	(17,981)	(95,905)
Investing activities:		
Net increase in short-term investments	(7,072)	(18,759)
Decrease in cash	(25,053)	(114,664)
Cash, beginning of year	310,424	425,088
Cash, end of year	\$ 285,371	\$ 310,424

See accompanying notes to financial statements.

FEDERATED HEALTH CHARITIES CORPORATION

Notes to Financial Statements

Year ended September 30, 2021

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. No accruals are made for contributions pledged but not yet received.

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

Interest income is recognized when earned.

(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.

FEDERATED HEALTH CHARITIES CORPORATION

Notes to Financial Statements (continued)

Year ended September 30, 2021

1. Significant accounting policies (continued):

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.

(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 and when the materials and services are used in the normal course of the Organization's operations and would otherwise have been purchased.

(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 \$247,827 (2020 - \$240,755), with interest rates at prime less 2.20% (2020 - ranging from 1.20% to 1.30%) and maturity dates ranging from October 2021 to April 2022 (2020 - October 2020 to April 2021).

FEDERATED HEALTH CHARITIES CORPORATION

Notes to Financial Statements (continued)

Year ended September 30, 2021

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,668 (2020 - \$3,442), which includes amounts payable for payroll taxes.

4. Contributions:

Contributions consist of the following:

	2021	2020
Payroll deductions:		
Ministries	\$ 1,155,534	\$ 1,041,399
Agencies	90,327	85,148
Cash donations	131,503	97,985
Lottery	90,545	92,130
Special events	106,091	91,807
	<u>\$ 1,574,000</u>	<u>\$ 1,408,469</u>

5. Distributions:

Distributions to member charities consist of the following:

	2021	2020
Canadian Cancer Society - Ontario Division	\$ 216,168	\$ 206,068
Alzheimer Society of Ontario	165,272	157,645
Heart and Stroke	143,028	151,702
Diabetes Canada	108,559	105,456
Crohn's and Colitis Canada	76,714	71,591
Institute for Advancements in Mental Health	76,707	68,179
Parkinson Canada	72,056	26,503
Autism Ontario	70,332	29,863
The Arthritis Society - Ontario Division	65,352	69,644
MS Society of Canada	62,727	29,955
The Kidney Foundation of Canada	61,645	61,482
ALS Society of Canada	56,489	59,332
Lung Health Association	54,704	52,754
Ontario AIDS Network	54,204	54,850
Cystic Fibrosis Canada	50,160	49,116
Spinal Cord Injury Ontario	44,627	45,450
Canadian Liver Foundation	44,243	46,140
Osteoporosis Canada	41,470	46,532
Ontario Federation for Cerebral Palsy	39,603	39,557
Hemophilia Ontario	37,172	36,650
Sickle Cell Awareness Group	32,768	—
	<u>\$ 1,574,000</u>	<u>\$ 1,408,469</u>

FEDERATED HEALTH CHARITIES CORPORATION

Notes to Financial Statements (continued)

Year ended September 30, 2021

6. 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 5. The administration fees received from the member charities to cover the operating expenses of the Organization are included as administration fees revenue.

7. 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 \$244,692 (2020 - \$232,461) has been internally restricted by the Board of Directors for this purpose.

8. Financial risks:

Financial risk relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Organization believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments. There has been no change to the risk exposures from 2020, inclusive of COVID-19 implications.