

NEO Kids Foundation

Financial Statements

Year ended March 31, 2017

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of the
NEO Kids Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of the **NEO Kids Foundation**, which comprise the statement of financial position as at **March 31, 2017**, and the statements of operations, changes in fund balances 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 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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the Foundation'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 Foundation'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 charitable organizations, the Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues 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 donation revenues, excess of revenues over expenses, assets and fund balances.

INDEPENDENT AUDITOR'S REPORT, continued

Qualified Opinion

Except as noted in the basis for qualified opinion paragraph, in our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The statement of financial position as at March 31, 2016 and the statements of operations, changes in fund balances and cash flows for the year then ended are unaudited.

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants

Licensed Public Accountants

Sudbury, Ontario

June 21, 2017

NEO Kids Foundation
Statement of Financial Position
March 31, 2017 with unaudited comparative figures for 2016

	Unrestricted	Internally Restricted (note 5(a))	Externally Restricted (Note 5(b))	2017	2016 (Unaudited)
Assets					
Current					
Prepaid expenses	3,486	-	-	3,486	-
Due from Health Sciences North	-	-	867,519	867,519	102,804
Capital assets (note 4)	-	3,775	-	3,775	4,319
	\$ 3,486	\$ 3,775	867,519	\$ 874,780	\$ 107,123
Liabilities and Fund Balances					
Current liabilities					
Accounts payable and accrued liabilities	\$ 17,459	\$ -	\$ -	\$ 17,459	\$ 6,916
Interfund balances	190,082	-	(190,082)	-	-
Fund Balances					
Unrestricted fund	(204,055)	-	-	(204,055)	64,321
Internally restricted fund (note 5(a))	-	3,775	-	3,775	4,319
Externally restricted fund (note 5(b))	-	-	1,057,601	1,057,601	31,567
	(204,055)	3,775	1,057,601	857,321	100,207
	\$ 3,486	\$ 3,775	\$ 867,519	\$ 874,780	\$ 107,123

Approved on behalf of the Board:

Director _____ Director _____

NEO Kids Foundation
Statement of Operations
Year ended March 31, 2017 with unaudited comparative figures for 2016

	Unrestricted	Internally Restricted (Note 5(a))	Externally Restricted (Note 5(b))	2017	2016 (Unaudited)
Revenues					
Donations	\$ 148,416	-	1,047,808	1,196,224	330,779
Expenses					
Wages and benefits	315,346	-	-	315,346	83,986
Office and general	33,275	-	-	33,275	21,699
Fundraising	24,201	-	-	24,201	1,167
Advertising	22,461	-	-	22,461	16,332
Professional fees	12,037	-	-	12,037	238
Consulting fees	3,097	-	-	3,097	8,467
Amortization	-	3,070	-	3,070	1,638
Travel	1,843	-	-	1,843	2,557
Insurance	1,743	-	-	1,743	-
Translation	263	-	-	263	1,747
Courses and conventions	-	-	-	-	2,741
	414,266	3,070	-	417,336	140,572
Excess (deficiency) of revenues over expenses before gifts	(265,850)	(3,070)	1,047,808	778,888	190,207
Gifts to Health Sciences North (note 3)	-	-	(21,774)	(21,774)	(90,000)
Excess (deficiency) of revenues over expenses	\$ (265,850)	\$ (3,070)	\$ 1,026,034	\$ 757,114	\$ 100,207

See accompanying notes to the financial statements

NEO Kids Foundation**Statement of Changes in Fund Balances****Year ended March 31, 2017 with unaudited comparative figures for 2016**

	Unrestricted	Internally Restricted (note 5(a))	Externally Restricted (Note 5(b))	2017	2016
				(unaudited)	(unaudited)
Fund balance, beginning of year	\$ 64,321	\$ 4,319	\$ 31,567	\$ 100,207	\$ -
Interfund transfers					
- Investment in capital assets	(2,526)	2,526	-	-	-
Excess (deficiency) of revenues over expenses	(265,850)	(3,070)	1,026,034	757,114	100,207
Fund balance, end of year	\$ (204,055)	\$ 3,775	\$ 1,057,601	\$ 857,321	\$ 100,207

See accompanying notes to the financial statements

NEO Kids Foundation**Cash Flows Statement****Year ended March 31, 2017 with unaudited comparative figures for 2016**

	2017	2016
Cash flows from operating activities		
Excess of revenues over expenditures	\$ 757,114	\$ 100,207
Adjustment for non-cash item		
Amortization	3,070	1,638
	760,184	101,845
Change in non-cash working capital items		
Prepaid expenses	(3,486)	-
Accounts payable and accrued liabilities	10,543	6,916
	767,241	108,761
Cash flows from investing activities		
Due from Health Sciences North	(764,715)	(102,804)
Purchase of capital assets	(2,526)	(5,957)
	(767,241)	(108,761)
Increase in cash	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2017 with unaudited comparative figures for 2016

1. Status and Purpose of the Foundation

NEO Kids Foundation (the "Foundation") was established to collect, accumulate and distribute funds for the benefit of NEO Kids programs and Health Sciences North. The Foundation is a registered charity incorporated without share capital under the laws of the province of Ontario and is exempt from income tax under the Income Tax Act (Canada).

2. Basis of accounting and significant accounting policies

(a) Basis of presentation

The financial statements of the Foundation are prepared in accordance with Canadian accounting standards for not-for-profits organizations (ASNFPPO), and include the significant accounting policies summarized below.

(b) Fund accounting restricted

For financial reporting purposes, the Foundation reports revenues and expenses using the restricted fund method of presentation.

The Unrestricted Fund reports revenues and expenses related to the collection of unrestricted donations and fundraising activities as well as general operating expenditures.

The Internally Restricted Fund reports amounts for which the use is restricted by the Board of Directors for specific purposes. Included in the Internally Restricted Fund are revenues and expenses related to the care and maintenance of capital assets.

The Externally Restricted Fund reports resources that have been restricted for specific purposes by the donors.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2017 with unaudited comparative figures for 2016

2. Basis of accounting and significant accounting policies, continued

(c) Financial instruments

(i) Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. Amounts due to and from related parties are measured at the exchange amount, being the amount agreed upon by the related parties.

The Foundation subsequently measures its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include amounts due from Health Sciences North.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- ◆ the present value of the cash flows expected to be generated by the asset or group of assets;
- ◆ the amount that could be realized by selling the assets or group of assets;
- ◆ the net realizable value of any collateral held to secure repayment of the assets or group of assets.

When the events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the amount of the previously recognized impairment.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2017 with unaudited comparative figures for 2016

2. Basis of accounting and significant accounting policies, continued

(d) Capital assets

Capital assets are recorded at cost. The Foundation provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives. One half of the year's amortization is recorded in the year of acquisition. No amortization is recorded in the year of disposal. The annual amortization rate is as follows:

Computer equipment	55%
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(e) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recognized as revenue when the amount is received or can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the Unrestricted Fund. Contributions for which the donor has placed a restriction on the spending is recognized in the Restricted Fund.

(f) Contributed services

Directors, committee members and volunteers give their time to assist in the Foundation's activities. While these services benefit the Foundation considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

(g) Management estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2017 with unaudited comparative figures for 2016

3. Due from Health Sciences North

Health Sciences North is a public hospital and is independent of the NEO Kids Foundation. The Foundation raises funds on behalf of Health Sciences North to support the purchase of equipment, fund operations and support research activities.

Health Sciences North provides a number of services to the Foundation including the management of the Foundation's cash. The Foundation reimburses Health Sciences North for any direct costs it incurs on behalf of the Foundation.

Health Sciences North provides office space and related occupancy costs to the Foundation at no charge.

At March 31, 2017 Health Sciences North owes the Foundation \$867,519 (2016 - \$102,504). These amounts do not bear interest, are due on demand, with no scheduled repayments.

During the course of the year, the Foundation gifted \$21,774 (2016 - \$90,000) to Health Sciences North for the purchase of equipment.

4. Capital assets

	2017		2016 (unaudited)	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	\$ 8,483	\$ 4,708	\$ 5,957	\$ 1,638
Net book value	\$ 3,775		\$ 4,319	

NEO Kids Foundation
Notes to Financial Statements
Year ended March 31, 2017

5. Internally and Externally Restricted Funds

a) Internally Restricted Funds

Internally restricted fund balances consist of:

	2017	2016 (Unaudited)
Capital assets	\$ 3,775	\$ 4,319

b) Externally Restricted Funds

Externally restricted fund balances consist of:

	2017	2016 (Unaudited)
NEO Kids building	\$ 933,262	\$ 11,079
Paediatrics department	39,248	10,127
Neonatal unit	29,855	2,050
Paediatric oncology	26,748	4,799
Children's treatment centre	18,278	500
Operational costs	4,407	3,007
NEO Kids outpatient	3,803	5
Fellowships	1,000	-
Opportunities fund	1,000	-
	<u>\$ 1,057,601</u>	<u>\$ 31,567</u>

6. Commitments

The Foundation has committed \$220,000 for the renovation of office space being provided by Health Sciences North. Renovations are scheduled to commence in the following fiscal year and will be carried out and managed by Health Sciences North.

7. Comparative Figures

The statement of financial position as at March 31, 2016 and the statements of operations, changes in fund balances and cash flows for the year then ended are unaudited.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2017 with unaudited comparative figures for 2016

8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

(a) Credit risk

The Foundation is exposed to credit risk through amounts due from Health Sciences North \$867,519 (2016 - \$102,804). Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Foundation reduces its exposure to credit risk by ensuring Health Sciences North segregates funds managed on behalf of the Foundation and regularly reviewing and reconciling this receivable as well as evaluating its collectibility.

(b) Liquidity risk

Liquidity risk is the risk the Foundation may not be able to meet its obligations. The Foundation is exposed to this risk mainly through its accounts payable and accrued liabilities. The Foundation reduces this risk by documenting when payments are due and maintaining adequate working capital to facilitate these payments.

9. Healthcare of Ontario Pension Plan

Substantially all of the employees of the Foundation are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the amounts contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan indicates the Plan is fully funded.

Contributions to the Plan made during the year by the Foundation on behalf of its employees amounted to \$22,478 (2016 - \$6,751) and are included in the statement of operations.

At December 31, 2016, the HOOPP pension plan had total assets of \$164.2 billion (2015 - \$147.6 billion) and an accumulated surplus of \$15.9 billion (2015 - \$14.8 billion).