

NEO Kids Foundation

Financial Statements

Year ended March 31, 2020

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of the
NEO Kids Foundation

Qualified Opinion

We have audited the financial statements of the **NEO Kids Foundation** (the "Foundation"), which comprise the statement of financial position as at **March 31, 2020**, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Except as noted in the following paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020 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.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations and fundraising activities 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2020 and 2019, and current assets and net assets as at March 31, 2020 and 2019. Our audit opinion pertaining to the Foundation's financial statements as at and for the year ended March 31, 2019, presented as comparative figures in the accompanying financial statements, included a qualified opinion for the same matter occurring in that year.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Foundation 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.

INDEPENDENT AUDITOR'S REPORT, continued

In preparing the financial statements, management is responsible for assessing the Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities 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 auditor's 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 these 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Freelandt Caldwell Reilly LLP

FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants
Licensed Public Accountants

Sudbury, Ontario
June 19, 2020

NEO Kids Foundation
Statement of Financial Position
March 31, 2020 with comparative figures for 2019

	Unrestricted	Internally Restricted Capital Fund	Externally Restricted (note 10)	2020	2019
Assets					
Current					
Cash	\$ 165,584	\$ -	\$ -	\$ 165,584	\$ 852,405
Short-term investments (note 3 (a))	15,883	-	406,799	422,682	1,507,587
Accounts receivable	51,495	-	-	51,495	14,695
Prepaid expenses	7,356	-	-	7,356	9,228
	240,318	-	406,799	647,117	2,383,915
Donations in-kind (note 12)	76,109	-	-	76,109	76,109
Long-term investments (note 3 (b))	2,261,816	-	-	2,261,816	-
Capital assets (note 4)	-	157,823	-	157,823	178,040
	\$ 2,578,243	\$ 157,823	\$ 406,799	\$ 3,142,865	\$ 2,638,064
Liabilities and Fund Balances (Deficits)					
Current liabilities					
Accounts payable and accrued liabilities (note 5)	\$ 44,009	\$ -	\$ -	\$ 44,009	\$ 62,262
Deferred revenue (note 6)	57,297	-	-	57,297	30,670
Due to Health Sciences North (note 7)	11,504	-	-	11,504	13,549
Current portion of long-term debt	-	8,561	-	8,561	13,867
	112,810	8,561	-	121,371	120,348
Interfund balances	2,105,569	-	(2,105,569)	-	-
Long-term debt (note 8)	-	86,592	-	86,592	99,630
Deferred capital contributions (note 9)	-	59,847	-	59,847	66,503
Fund Balances (Deficits)					
Unrestricted Fund	359,864	-	-	359,864	263,841
Internally Restricted - Capital Fund	-	2,823	-	2,823	(1,960)
Externally restricted funds (note 10)	-	-	2,512,368	2,512,368	2,089,702
	359,864	2,823	2,512,368	2,875,055	2,351,583
	\$ 2,578,243	\$ 157,823	\$ 406,799	\$ 3,142,865	\$ 2,638,064

Approved on behalf of the Board of Directors:

Director _____ Director _____

See accompanying notes to the financial statements

NEO Kids Foundation
Statement of Operations
Year ended March 31, 2020 with comparative figures for 2019

	Unrestricted	Internally Restricted Capital Fund	Externally Restricted (note 10)	2020	2019
Revenues					
Donations					
Unrestricted	\$ 756,601	\$ -	\$ -	\$ 756,601	\$ 702,001
Restricted	-	-	488,181	488,181	502,932
In-kind (note 12)	-	-	-	-	76,109
Interest and dividends	13,922	-	-	13,922	38,961
Recognition of deferred capital contributions	-	6,656	-	6,656	5,385
Realized losses on investments	(23,263)	-	-	(23,263)	-
Unrealized losses on investments	(195,394)	-	-	(195,394)	-
Grants	-	-	-	-	45,000
	551,866	6,656	488,181	1,046,703	1,370,388
Expenses					
Wages and benefits	240,947	-	-	240,947	344,717
Fundraising	58,826	-	-	58,826	66,119
Office and general	28,115	-	-	28,115	23,361
Amortization	-	20,217	-	20,217	20,883
Administration	20,000	-	-	20,000	20,003
Professional fees	9,559	-	-	9,559	9,743
Interest on long-term debt	-	6,656	-	6,656	5,385
Bank charges and interest	5,778	-	-	5,778	6,460
Travel	5,204	-	-	5,204	1,228
Advertising	3,316	-	-	3,316	4,886
Insurance	1,873	-	-	1,873	2,518
	373,618	26,873	-	400,491	505,303
Excess (deficiency) of revenues over expenses					
before gifts to Health Sciences North	178,248	(20,217)	488,181	646,212	865,085
Gifts to Health Sciences North (note 7)	(57,225)	-	(65,515)	(122,740)	(165,538)
Excess (deficiency) of revenues over expenses	\$ 121,023	\$ (20,217)	\$ 422,666	\$ 523,472	\$ 699,547

See accompanying notes to the financial statements

NEO Kids Foundation
Statement of Changes in Fund Balances
Year ended March 31, 2020 with comparative figures for 2019

	Unrestricted	Internally Restricted Capital Fund	Externally Restricted (note 10)	2020	2019
Fund balance (deficit), beginning of year	\$ 263,841	\$ (1,960)	\$ 2,089,702	\$ 2,351,583	\$ 1,652,036
Interfund transfers (note 11)	(25,000)	25,000	-	-	-
Excess (deficiency) of revenues over expenses	121,023	(20,217)	422,666	523,472	699,547
Fund balance surplus, end of year	\$ 359,864	\$ 2,823	\$ 2,512,368	\$ 2,875,055	\$ 2,351,583

See accompanying notes to the financial statements

NEO Kids Foundation

Cash Flows Statement

Year ended March 31, 2020 with comparative figures for 2019

	2020	2019
Cash flows from operating activities		
Excess of revenues over expenses	\$ 532,923	\$ 699,547
Adjustments for non-cash items		
Amortization	20,217	20,883
Donation in-kind	-	(76,109)
Loss on sale investments	23,263	-
Unrealized loss on investments	195,394	-
Interest on long-term debt	6,656	5,385
	778,453	649,706
Change in non-cash working capital items		
Accounts receivable	(36,800)	25,968
Prepaid expenses	1,873	1,163
Accounts payable and accrued liabilities	(18,253)	(7,289)
Deferred revenue	26,627	30,670
	751,900	700,218
Cash flows from investing activities		
Purchase of investments	(1,731,733)	(1,512,972)
Proceeds on the sale of investments	320,057	-
	(1,411,676)	(1,512,972)
Cash flows from financing activities		
Due to Health Sciences North	(2,045)	2,045
Repayment of long-term debt (notes 8, 9)	(25,000)	(20,000)
	(27,045)	(17,955)
Decrease in cash	(686,821)	(830,709)
Cash, beginning of year	852,405	1,683,114
Cash, end of year	\$ 165,584	\$ 852,405

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2020 with comparative figures for 2019

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 & Family Programs at 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 using Canadian accounting standards for not-for-profits organizations (ASNFPO), 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 expenses.

The Internally Restricted Capital Fund reports revenues and expenses related to 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, 2020 with comparative figures for 2019

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 equity securities quoted in an active market, which are subsequently measured at fair value. Changes in fair value of these items are recognized in operations in the period they occur.

Financial assets measured at amortized cost includes cash, certain short-term investments, and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, amounts due to Health Sciences North and long-term debt.

Financial assets measured at fair value include certain short-term investments and long-term investments.

(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 operations. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in operations, in the period it is identified and measurable, up to the amount of the previously recognized impairment.

(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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Amortization of leasehold improvements are recorded on a straight-line basis over the expected useful life of the assets.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2020 with comparative figures for 2019

2. Basis of accounting and significant accounting policies, continued

(e) Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of the asset exceeds the sum of the undiscounted cash flows resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Any impairment results in a write-down of the asset and a charge to income during the year. An impairment loss is not reversed if the fair value of the related long-lived asset subsequently increases.

(f) Long-term debt

Long-term debt is initially measured at fair value, net of transaction costs. It is subsequently measured at amortized cost. With respect to interest-free loans, the difference between the fair value of the loan and the cash consideration paid is recognized as a deferred capital contribution and is amortized over the same useful life as the assets it was used to obtain.

(g) 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. Revenue from special events is recognized in the period in which the event is held. In-kind contributions of assets are recognized at fair value.

Investment income includes dividends and interest income and is recognized as it is earned. Unrealized gains or losses are recognized in the period in which they occur and are recognized in the statement of operations.

(h) 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.

(i) Accounting 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 Financial Statements
Year ended March 31, 2020 with comparative figures for 2019

3. Investments

a) Short-term investments

Short-term investments consist of the following balances:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Bonds	\$ 16,225	\$ 15,883	\$ -	\$ -
High interest savings account	406,799	406,799	1,507,587	1,507,587
	<u>\$ 423,024</u>	<u>\$ 422,682</u>	<u>\$ 1,507,587</u>	<u>\$ 1,507,587</u>

b) Long-term investments

Long-term investments consist of the following balances:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Canadian equities	\$ 862,609	\$ 714,470	\$ -	\$ -
US equities	703,598	674,765	-	-
Fixed income securities	892,577	865,801	-	-
Investment trusts	4,625	6,780	-	-
	<u>\$ 2,463,409</u>	<u>\$ 2,261,816</u>	<u>\$ -</u>	<u>\$ -</u>

NEO Kids Foundation**Notes to the Financial Statements****Year ended March 31, 2020 with comparative figures for 2019**

4. Capital assets

	2020		2019	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Leasehold improvements	\$ 200,000	\$ 42,623	\$ 200,000	\$ 22,951
Computer equipment	9,601	9,155	9,601	8,610
	209,601	51,778	209,601	31,561
Net book value	\$ 157,823		\$ 178,040	

5. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$4,238 (2019 - \$12,485).

6. Deferred revenue

Deferred revenue consists of tickets sold and donations received for events set to take place after March 31, 2020.

7. Due to 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 provision of accounting services for which the Foundation paid \$20,000 in 2020 (2019 - \$20,000).

Health Sciences North provides office space and related occupancy costs to the Foundation at no charge. The Foundation entered into a loan agreement with Health Sciences North to fund the renovations of office space located in the Hospital (note 8). This loan is non-interest bearing and repayable in quarterly installments of \$5,000.

At March 31, 2020 the Foundation owes Health Sciences North \$11,504 (2019 - \$13,549). These amounts do not bear interest, are due on demand, with no scheduled repayments.

During the course of the year, the Foundation gifted \$122,740 (2019 - \$165,538) to Health Sciences North for the purchase of equipment, children's toys, research activities and other purposes.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2020 with comparative figures for 2019

8. Long-term debt

	2020	2019
Interest-free unsecured loan payable to Health Sciences North, calculated using an effective interest rate of 4.5% per annum, repayable in quarterly installments of \$5,000, maturing January 1, 2028	\$ 95,153	\$ 113,497
Less current portion	8,561	13,867
	\$ 86,592	\$ 99,630

The above loan with Health Sciences North is measured at amortized cost using the effective interest rate method of accounting. The actual balance outstanding on the mortgage at year end is \$155,000 (2019 - \$180,000).

Estimated principal repayments are as follows:

2021	\$ 8,561
2022	13,266
2023	12,956
2024	12,633
2025	12,294
Subsequent years	35,443
	\$ 95,153

9. Deferred capital contributions

In the year ended March 31, 2018, the Foundation entered into a \$200,000 loan agreement with Health Sciences North, as described in note 8, to fund the acquisition of leasehold improvements. Since the loan is non-interest bearing, the financial liability was initially recognized at its fair value of \$128,112 which also resulted in the recognition of a deferred capital contribution of \$71,888. The leasehold improvements are being amortized over 10 years and the related deferred capital contribution is being amortized over the same period. As a result, \$6,656 was recognized in relation to this contribution (2019 - \$5,385).

NEO Kids Foundation
Notes to Financial Statements
Year ended March 31, 2020 with comparative figures for 2019

10. Externally Restricted Funds

Externally restricted fund balances consist of:

i) 2020

	Balance, beginning of the year		Revenues	Expenses	Transfers/ Other	Balance, end of year		
NEO Kids expansion	\$	1,857,408	\$	218,959	\$	-	\$	2,076,367
Equipment		89,531		189,521		(22,653)		256,399
Children's Treatment Centre		58,602		21,122		(24,100)		55,624
Neonatal Intensive Care Unit		17,665		29,720		(9,292)		38,093
NEO Kids ACU		25,691		5,550		-		31,241
Pediatric oncology		18,562		300		-		18,862
Operational costs		6,657		-		-		6,657
HSNRI		5,200		-		-		5,200
MRI		-		8,760		-		8,760
Pediatric Unit		3,819		2,700		-		6,519
Birthing centre		2,727		2,100		(84)		4,743
Mental health		1,840		2,365		-		4,205
Fellowships		1,000		-		-		1,000
Opportunities fund		1,000		-		-		1,000
Bereavement		-		-		(1,634)		(1,634)
Voices for Women		-		7,084		(7,752)		(668)
	\$	2,089,702	\$	488,181	\$	(65,515)	\$	2,512,368

NEO Kids Foundation
Notes to Financial Statements
Year ended March 31, 2020 with comparative figures for 2019

10. Externally Restricted Funds (continued)

ii) 2019

	Balance, beginning of the year	Revenues	Expenses	Transfers/ Other	Balance, end of year
NEO Kids expansion	\$ 1,563,607	\$ 293,801	\$ -	\$ -	\$ 1,857,408
Equipment	1,360	175,715	(87,544)	-	89,531
Children's Treatment Centre	30,820	31,614	(3,832)	-	58,602
NEO Kids ACU	18,878	6,813	-	-	25,691
Pediatric oncology	15,092	3,470	-	-	18,562
Neonatal Intensive Care Unit	15,530	3,325	(1,190)	-	17,665
Operational costs	4,407	2,250	-	-	6,657
HSNRI	5,200	-	-	-	5,200
Pediatric Unit	7,547	14,150	(17,878)	-	3,819
Birthing centre	3,986	3,235	(4,494)	-	2,727
Mental health	(2,080)	3,920	-	-	1,840
Fellowships	1,000	-	-	-	1,000
Opportunities fund	1,000	-	-	-	1,000
Voices for Women	-	48,600	(48,600)	-	-
	<u>\$ 1,666,347</u>	<u>\$ 586,893</u>	<u>\$ (163,538)</u>	<u>\$ -</u>	<u>\$ 2,089,702</u>

11. Interfund Transfers

During the year, \$25,000 was transferred from unrestricted net assets to the internally restricted capital asset fund to allow for the payment of long-term debt instalments during the year. This interfund transfer was approved by the Board of Directors.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2020 with comparative figures for 2019

12. Donations in-kind

In the previous year, the Foundation received a substantial donation of sports memorabilia and collectibles valued at \$76,109. These assets are held for future use during events, with an eventual plan to sell.

13. Credit facilities

A business credit card with a maximum borrowing limit of \$5,000 is held by the Foundation. At March 31, 2020 a total of \$3,106 (2019 - \$2,119) was borrowed against this facility.

14. 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 \$16,154 (2019 - \$28,585) and are included in the statement of operations.

At December 31, 2019, the HOOPP pension plan had total assets of \$180.8 billion (2019 - \$172.9 billion) and an accumulated surplus of \$20.6 billion (2019 - \$13.9 billion).

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2020 with comparative figures for 2019

15. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring financial risks to or from another party. The Foundation is exposed to the following financial risks associated with financial instruments and transactions it is a part to:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risk relate to its cash, investments and accounts receivable.

Credit risk associated with cash and investments are minimized by ensuring these financial assets are placed with large reputable financial institutions with high credit ratings.

The Foundation is exposed to credit risk through accounts receivable of \$51,495 (2019 - \$14,695). The Foundation manages this risk through managements on-going monitoring of accounts receivable balances and collections and evaluating credit worthiness and collectibility.

(b) Liquidity risk

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

(c) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the financial markets. The Foundation is exposed to market risk associated with certain of its short-term investments, and its long-term investments . The fair value of these financial assets fluctuate over time due to a variety of financial market factors. During the year the Foundation realized losses on investment sales of \$23,263 and unrealized losses on its investments of \$195,394. The unrealized losses are largely attributable to market volatility that was introduced because of COVID-19 as described in note 16.

NEO Kids Foundation

Notes to the Financial Statements

Year ended March 31, 2020 with comparative figures for 2019

16. Covid-19 Pandemic

The COVID-19 global outbreak was declared a pandemic by the World Health Organization in March 2020. The negative impact of COVID-19 in Canada and on the global economy has been significant. The global pandemic has disrupted economic activities and supply chains resulting in governments worldwide, and in Canada, enacting emergency measures to combat the spread of the virus and protect the economy.

These financial statements have been prepared based upon conditions existing at March 31, 2020 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at that date.

Although the disruption from the pandemic is expected to be temporary, given the dynamic nature of these circumstances, the duration and severity of the disruption and related financial impact cannot be reasonably estimated at this time. The implementation of government interventions resulted in significant volatility and declines in equity and bond prices in global markets. Management is continuing to monitor the impact of this volatility on both the current asset holdings and the impact on future possible earnings. While the investment holdings had accumulated unrealized losses of \$201,935 at March 31, 2020, the fair market value of the portfolio at June 18, 2020 is \$3,086,268, resulting in accumulated unrealized gains of \$55,560.

The impacts of this pandemic could include the impairment in the value of assets or potential future decreases in revenues. At this time, the full potential impact of COVID-19 on the Foundation is not known.