

**NEO Kids Foundation**

**Financial Statements**

**Year ended March 31, 2021**

## 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, 2021**, 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, 2021 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, 2021 and 2020, and current assets and net assets as at March 31, 2021 and 2020. Our audit opinion pertaining to the Foundation's financial statements as at and for the year ended March 31, 2020, 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.

## INDEPENDENT AUDITOR'S REPORT, continued

### *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 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.

## INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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.
- ◆ 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 11, 2021

**NEO Kids Foundation**  
**Statement of Financial Position**  
**March 31, 2021 with comparative figures for 2020**

	Unrestricted		Restricted		Internally Restricted Capital Fund		2021	2020
<b>Assets</b>								
<b>Current</b>								
Cash	\$	546,816	\$	-	\$	546,816	\$	165,584
Short-term investments (note 3)		-		408,068		408,068		422,682
Accounts receivable (note 14)		55,626		362,897		418,523		51,495
Prepaid expenses		6,110		-		6,110		7,356
		608,552		770,965		1,379,517		647,117
<b>Donations in-kind (note 13)</b>		69,085		-		69,085		76,109
<b>Long-term investments (note 4)</b>		3,021,700		-		3,021,700		2,261,816
<b>Capital assets (note 5)</b>		-		-		-		157,823
<b>Inter-fund balances</b>		(2,435,299)		2,435,299		-		-
	\$	1,264,038	\$	3,206,264	\$	4,470,302	\$	3,142,865
<b>Liabilities and Fund Balances</b>								
<b>Current liabilities</b>								
Accounts payable and accrued liabilities (note 6)	\$	89,265	\$	-	\$	89,265	\$	44,009
Due to Health Sciences North (note 7)		24,111		19,999		44,110		11,504
Deferred revenue (note 8)		36,037		-		36,037		57,297
Current portion of long-term debt (note 9)		-		-		-		8,561
		149,413		19,999		169,412		121,371
<b>Long-term debt (note 9)</b>		-		-		-		86,592
<b>Deferred capital contributions (note 10)</b>		-		-		-		59,847
<b>Fund Balances</b>								
Unrestricted		1,114,625		-		1,114,625		359,864
Restricted (note 11)		-		3,186,265		3,186,265		2,512,368
Internally restricted capital		-		-		-		2,823
		1,114,625		3,186,265		4,300,890		2,875,055
	\$	1,264,038	\$	3,206,264	\$	4,470,302	\$	3,142,865

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, 2021 with comparative figures for 2020**

	Unrestricted	Restricted	Internally Restricted Capital Fund	2021	2020
<b>Revenues</b>					
Donations, fundraising and events	\$ 410,355	\$ 359,688	\$ -	\$ 770,043	\$ 1,244,782
Contributions from HSN 50/50 Cash Lottery for the North	-	478,885	-	478,885	-
Government payroll assistance and subsidies (note 17 (d))	143,198	-	-	143,198	30,114
	553,553	838,573	-	1,392,126	1,274,896
<b>Expenses</b>					
Salaries and benefits	268,065	-	-	268,065	271,061
Fundraising	58,480	-	-	58,480	63,800
Professional fees	22,517	-	-	22,517	9,559
Office and general	18,114	-	-	18,114	33,535
Administration	15,975	-	-	15,975	20,000
Transaction fees and bank charges	5,732	-	-	5,732	5,778
	388,883	-	-	388,883	403,733
<b>Excess of revenues over expenses before undernoted items</b>					
	164,670	838,573	-	1,003,243	871,163
Unrealized gain (loss) on investments	502,165	-	-	502,165	(195,394)
Realized gain (loss) on investments	72,429	-	-	72,429	(23,263)
Interest and dividends	51,697	-	-	51,697	24,968
Gain on disposal of capital assets (note 10)	-	-	9,016	9,016	-
Recognition of deferred capital contributions (note 10)	-	-	-	-	6,656
Interest on long-term debt	-	-	-	-	(6,656)
Amortization	-	-	(16,839)	(16,839)	(20,217)
Investment fees	(31,200)	-	-	(31,200)	(11,045)
<b>Excess (deficiency) of revenues over expenses before charitable distributions</b>					
	759,761	838,573	(7,823)	1,590,511	646,212
Gifts to Health Sciences North (note 7)	-	(158,133)	-	(158,133)	(110,809)
Charitable programs	-	(6,543)	-	(6,543)	(11,931)
<b>Excess (deficiency) of revenues over expenses</b>	<b>\$ 759,761</b>	<b>\$ 673,897</b>	<b>\$ (7,823)</b>	<b>\$ 1,425,835</b>	<b>\$ 523,472</b>

See accompanying notes to the financial statements

**NEO Kids Foundation**  
**Statement of Changes in Fund Balances**  
**Year ended March 31, 2021 with comparative figures for 2020**

	Unrestricted	Restricted	Internally Restricted Capital Fund	2021	2020
<b>Fund balance, beginning of year</b>	\$ 359,864	\$ 2,512,368	\$ 2,823	\$ 2,875,055	\$ 2,351,583
Interfund transfers (note 12)	(5,000)	-	5,000	-	-
Excess (deficiency) of revenues over expenses	759,761	673,897	(7,823)	1,425,835	523,472
<b>Fund balance, end of year</b>	\$ 1,114,625	\$ 3,186,265	\$ -	\$ 4,300,890	\$ 2,875,055

See accompanying notes to the financial statements

# NEO Kids Foundation

## Statement of Cash Flows

Year ended March 31, 2021 with comparative figures for 2020

	2021	2020
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 1,425,835	\$ 523,472
Adjustments for non-cash items		
Amortization	16,839	20,217
Gain on sale of capital assets	(9,016)	-
Loss (gain) on sale investments	(72,429)	23,263
Unrealized loss (gain) on investments	(502,165)	195,394
Share donations	(136,740)	-
	722,324	762,346
Change in non-cash working capital items		
Accounts receivable	(367,028)	(36,800)
Prepaid expenses	1,246	1,872
Accounts payable and accrued liabilities	45,256	(18,253)
Deferred revenue	(21,260)	26,627
Due to Health Sciences North	32,606	(2,045)
	413,144	733,747
<b>Cash flows from investing activities</b>		
Purchase of investments	(1,248,454)	(1,715,625)
Proceeds on the sale of investments	1,221,542	320,057
	(26,912)	(1,395,568)
<b>Cash flows from financing activities</b>		
Repayment of long-term debt (notes 9, 10)	(5,000)	(25,000)
	(5,000)	(25,000)
<b>Increase (decrease) in cash</b>	381,232	(686,821)
<b>Cash, beginning of year</b>	165,584	852,405
<b>Cash, end of year</b>	\$ 546,816	\$ 165,584



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# **NEO Kids Foundation**

## **Notes to the Financial Statements**

**Year ended March 31, 2021 with comparative figures for 2020**

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### **1. Status and Purpose of the Foundation**

NEO Kids Foundation (the "Foundation"), was established to collect, accumulate and distribute funds on behalf of the NEO Kids and 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. Significant accounting policies**

These financial statements are prepared in accordance with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principals for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### **(a) Basis of presentation**

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board"). To meet these objectives of financial reporting and stewardship over assets, certain inter-fund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between the funds are made when it is considered appropriate and when appropriately authorized. These inter-fund transfers are recorded in the statement of changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

The Unrestricted Fund, which accounts for the Foundation's general fundraising, granting and administrative activities. The Unrestricted Fund reports unrestricted resources available for immediate purposes.

The Restricted Fund, which includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.

The Internally Restricted Capital Fund, which includes those fund that have been internally restricted in relation to the Foundation's capital assets.

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# NEO Kids Foundation

## Notes to the Financial Statements

Year ended March 31, 2021 with comparative figures for 2020

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### 2. Significant accounting policies, continued

#### (b) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the Unrestricted Fund. Restricted contributions are recognized as revenue in their respective restricted fund. Fundraising and event-related revenues are recognized when the underlying event occurs. Government payroll assistance and subsidies are recognized as revenue in the Unrestricted Fund. In-kind contributions of assets are recognized at their fair market value, while contributions of services are not recognized.

Investment income includes dividend and interest income, unrealized and realized gains or losses and investment management fees and related expenses. Investment income earned on the Unrestricted and Restricted Funds are recognized as revenue of the Unrestricted Fund. Investment losses are recorded in a manner consistent with investment income.

#### (c) Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless an election is made to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if any indicators of impairment exist. If there is an indicator of impairment, the Foundation 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 amount or timing of future 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 Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

#### (d) Accounting estimates

The preparation of financial statements in conformity with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principals for not-for-profit organizations in Canada, requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2021 with comparative figures for 2020**

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#### **2. Significant accounting policies, continued**

##### **(e) 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.

##### **(f) Capital assets**

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. 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. The annual amortization rate is as follows:

Computer equipment - 55%

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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Foundation's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations and changes in fund balances. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

##### **(g) Cash and cash equivalents**

Cash and cash equivalents consist of cash and highly liquid investments which are readily converted into cash.

##### **(h) Government assistance**

Government assistance received or receivable as a result of the Government of Canada COVID-19 response programs are accounted for as operating grants and are recognized as either revenue or a reduction of the capital cost of the related asset or related expense in the period in which they are earned when there is reasonable assurance that the Foundation has complied and will continue to comply with the conditions associated with the assistance.

**NEO Kids Foundation**  
**Notes to Financial Statements**  
**Year ended March 31, 2021 with comparative figures for 2020**

**3. Short-term investments**

Short-term investments consist of the following balances:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
High interest savings account	\$ 408,068	\$ 408,068	\$ 406,799	\$ 406,799
Bonds	-	-	16,225	15,883
	\$ 408,068	\$ 408,068	\$ 423,024	\$ 422,682

**4. Long-term investments**

Long-term investments consist of the following balances:

	2021		2020	
	Cost	Fair Value	Cost	Fair Value
Canadian equities	\$ 972,143	\$ 1,112,443	\$ 862,609	\$ 714,470
US equities	710,055	896,440	703,598	674,765
Fixed income securities	1,039,421	1,012,817	892,577	865,801
Investment trusts	-	-	4,625	6,780
	\$ 2,721,619	\$ 3,021,700	\$ 2,463,409	\$ 2,261,816

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**NEO Kids Foundation****Notes to the Financial Statements****Year ended March 31, 2021 with comparative figures for 2020**

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**5. Capital assets**

	2021			2020		
	Cost	Accumulated amortization		Cost	Accumulated amortization	
Leasehold improvements	\$ -	\$ -	\$	200,000	\$ 42,623	\$
Computer equipment	9,601	9,601		9,601	9,155	
	9,601	9,601		209,601	51,778	
Net book value	\$ -		\$	157,823		

During the year, the Foundation vacated the office in which the leaseholds relate. This resulted in the derecognition of the leasehold assets as described in note 10.

**6. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are government remittances of \$7,443 (2020 - \$4,238).

**7. Due to Health Sciences North**

Health Sciences North is a public hospital and is independent of the Foundation. The Foundation raises funds of 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 \$15,975 (2020 - \$20,000).

Health Sciences North provides office space and related occupancy costs to the Foundation at no charge. The Foundation previously entered into a loan agreement with Health Sciences North to fund the renovations of office space located in the Hospital (note 9). This loan was non-interest bearing and repayable in quarterly installments of \$5,000. The arrangement ended during February of 2021 as described in note 10.

The Foundation reimbursed Health Sciences North for salaries and benefits of \$14,700 (2020 - \$Nil) associated with Health Sciences North staff working at the Foundation.

At March 31, 2021 the Foundation owed Health Sciences North \$44,110 (2020 - \$11,504). These amounts do not bear interest and are due on demand with no scheduled repayments.

During the course of the year, the Foundation gifted \$158,133 (2020 - \$110,809) to Health Sciences North for the purchase of equipment, children's toys, research activities and other purposes.

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## NEO Kids Foundation

### Notes to the Financial Statements

Year ended March 31, 2021 with comparative figures for 2020

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#### 8. Deferred revenue

Deferred revenue consists of tickets sold and contributions received for events set to take place after March 31, 2021.

#### 9. Long-term debt

	2021	2020
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. Released of amounts owing as described below.	\$ -	\$ 95,153
Less current portion	-	8,561
	\$ -	\$ 86,592

The above loan with Health Sciences North was measured at amortized cost using the effective interest rate method of accounting.

During the year, the Foundation vacated the offices in which the loan was obtained to fund leasehold improvements. On February 8, 2021, Health Sciences North released the Foundation of the debt owing, at which time the balance outstanding was \$150,000. Further details are provided in note 10.

#### 10. Deferred capital contributions

In the year ended March 31, 2018 the Foundation entered into a \$200,000 loan agreement with Health Sciences North to fund the acquisition of leasehold improvements. Since the loan was non-interest bearing, the financial liability was 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 were to be amortized over ten years and the related deferred capital contribution was to be amortized over the same period.

In 2021, the Foundation vacated the office to which the leaseholds relate and a disposition occurs in which the leaseholds are exchanged for the debt forgiveness received from the Hospital. This additionally results in the accretion of interest in the amount of \$58,264 to bring the debt's fair value up to the balance payable and an offsetting recognition of the deferred capital contribution in the amount of \$58,264 that was originally recognized to reflect the expected time in which the loan was to be repaid. The ultimate impact of these transactions resulted in the recognition of a gain on the disposal of the leasehold assets of \$9,016.

**NEO Kids Foundation**  
**Notes to Financial Statements**  
**Year ended March 31, 2021 with comparative figures for 2020**

**11. Externally Restricted Funds**

Externally restricted fund balances consist of:

**i) 2021**

	Balance, beginning of the year	Revenues	Expenses	Transfers/ Other	Balance, end of year
NEO Kids expansion	\$ 2,076,367	\$ 131,935	\$ -	\$ -	2,208,302
Equipment	256,399	590,828	(116,939)	-	730,288
Children's Treatment Centre	55,624	33,355	(20,632)	-	68,347
NEO Kids ACU	31,241	6,075	-	-	37,316
MRI	8,760	25,880	-	-	34,640
Neonatal Intensive Care Unit	38,093	13,855	(19,190)	-	32,758
Pediatric oncology	18,862	970	-	-	19,832
Rides for Ben	-	25,000	(6,543)	-	18,457
Pediatric Unit	6,519	4,500	-	-	11,019
Birthing centre	4,743	4,600	(1,372)	-	7,971
Operational costs	6,657	-	-	-	6,657
HSNRI	5,200	-	-	-	5,200
Mental health	4,205	-	-	-	4,205
COVID-19	-	1,575	-	-	1,575
Fellowships	1,000	-	-	-	1,000
Opportunities fund	1,000	-	-	-	1,000
Voices for Women	(668)	-	-	-	(668)
Bereavement	(1,634)	-	-	-	(1,634)
	<u>\$ 2,512,368</u>	<u>\$ 838,573</u>	<u>\$ (164,676)</u>	<u>\$ -</u>	<u>\$ 3,186,265</u>

**NEO Kids Foundation**  
**Notes to Financial Statements**  
**Year ended March 31, 2021 with comparative figures for 2020**

**11. Externally Restricted Funds (continued)**

**ii) 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
MRI	-	8,760	-	-	8,760
Operational costs	6,657	-	-	-	6,657
Pediatric Unit	3,819	2,700	-	-	6,519
HSNRI	5,200	-	-	-	5,200
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
Voices for Women	-	7,084	(7,752)	-	(668)
Bereavement	-	-	(1,634)	-	(1,634)
	<u>\$ 2,089,702</u>	<u>\$ 488,181</u>	<u>\$ (65,515)</u>	<u>\$ -</u>	<u>\$ 2,512,368</u>



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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2021 with comparative figures for 2020**

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#### **12. Interfund transfers**

During the year, \$5,000 was transferred from unrestricted funds to the internally restricted capital asset fund to allow for the payment of long-term debt installments during the year.

#### **13. Donations in-kind**

Donations in-kind consists of donated sports memorabilia and collectibles received in a previous year. These assets are held for future use during events, with an eventual plan to sell.

#### **14. Entities with common elements**

The Foundation shares common elements of management with the following entities:

- Health Sciences North Foundation
- The Northern Cancer Foundation
- Health Sciences North Volunteer Association

Each entity is independent of the other, with their own governance structure consisting of a Board of Directors. Management reports directly to each of the Boards with respect to the entity's activities.

During the year, the Foundation received a contribution from Health Sciences North Foundation through the funds raised in the HSN 50/50 Cash Lottery for the North in the amount of \$478,885. Included in accounts receivable is \$362,897 related to this contribution.

#### **15. Credit facilities**

A business credit card with a maximum borrowing limit of \$10,000 is held by the Foundation. At March 31, 2021 a total of \$687 (2020 - \$3,106) was borrowed against this facility.

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2021 with comparative figures for 2020**

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#### **16. 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 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 \$21,506 (2020 - \$16,154) and are included in the statement of operations.

At December 31, 2020, the HOOPP pension plan had total assets of \$192 billion (2020 - \$180 billion) and an accumulated surplus of \$24 billion (2020 - \$20.6 billion).

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2021 with comparative figures for 2020**

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#### **17. Financial instruments**

The Foundation is exposed to various financial risks through transactions in financial instruments.

##### **(a) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Foundation is exposed to this risk relating to its cash and cash equivalents, accounts receivable and investments.

The Foundation holds its cash and cash equivalents and investments with a large reputable financial institution in order to minimize risk.

The Foundation is exposed to credit risk in accounts receivable of \$418,523 (2020 - \$51,495) which is mainly comprised of receivables from governments as well as other charitable organizations. The Foundation minimizes this risk through management's ongoing analysis and monitoring of amounts due to the Foundation, and measures its exposure based on how long amounts have been outstanding.

The Foundation is also exposed to credit risk through its investments. The Foundation has developed policies which limit exposure to any one asset, invest through a large reputable institution and regularly monitor investment performance.

There have been no significant changes from the previous year in the exposure to this risk.

##### **(b) Liquidity risk**

Liquidity risk is the risk that an organization cannot repay its obligations when they have become due to its creditors. The Foundation is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt. The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate amount of working capital to repay creditors as and when required.

There have been no significant changes from the previous year in the exposure to this risk.

##### **(c) Market risk**

Market risk is the risk that the fair value of an investment or future cash flows will be impacted by changes in market factors. These factors can be caused by changes in an underlying investment or factors affecting the market as a whole. The Foundation is exposed to market risk associated with certain of its investments. The fair market value of these investments fluctuate over time due to a variety of financial market factors. During the year, the Foundation continued to manage and control its exposure to market risk within its set policy parameters while maximizing investment returns.

There have been no significant changes from the previous year in the exposure to this risk.

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2021 with comparative figures for 2020**

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#### **17. Financial instruments, continued**

##### **(d) Other risks**

The Foundation's main sources of revenue are donations, fundraising and investment income. In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Foundation halted in-person activity and closed its office space to staff and the public for a period of time and began delivering fundraising events in a virtual environment based on recommendations from Public Health Ontario. The office space was re-opened in the summer of 2020, with social distancing requirements and Public Health regulations followed.

In response to the adverse impact the pandemic has had on certain revenue streams, the Foundation has undertaken certain cost cutting measures. The Federal government has provided financial relief in the form of the Canada Emergency Wage Subsidy (CEWS) in the amount of \$118,549 and the Temporary Wage Subsidy (TWS) in the amount of \$5,955. These subsidies are considered to be grants and will not be repaid as long as the entity meets certain terms and conditions specified by the government of Canada. These subsidies are subject to audit by the government with adjustments, if any, repayable to the government. Audit adjustments, are recognized in the accounts in the year in which they become known. Management believes that it is currently in compliance with all terms and conditions of the CEWS and TWS programs.

The impact of COVID-19 is expected to negatively impact operations for a duration that cannot be reasonably estimated. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Foundation is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

#### **18. Comparative information**

Certain 2020 comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2021 financial statements. The changes do not affect the prior year's reported excess of revenues over expenses.