

Financial Statements of

**THE JANEWAY CHILDREN'S HOSPITAL
FOUNDATION**

Year ended March 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Directors of The Janeway Children's Hospital Foundation

We have audited the accompanying financial statements of The Janeway Children's Hospital Foundation, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity'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 entity'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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, The Janeway Children's Hospital Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of The Janeway Children's Hospital Foundation.

Therefore, we were not able to determine whether, as at and for the years ended March 31, 2018 and March 31, 2017, any adjustments might be necessary to donations and excess (deficiency) of revenue over expenses reported in the statement of operations, excess (deficiency) of revenue over expenses reported in the statement of cash flows and current assets and fund balances reported in the statement of financial position. This caused us to qualify our audit opinion on the financial statements as at and for the year ended March 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Janeway Children's Hospital Foundation as at March 31, 2018, 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.

Chartered Professional Accountants

St. John's, Canada

August 14, 2018

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	General Fund	Designated Fund	Endowment Fund	2018	2017
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,290,605	\$ 660,145	\$ 381,671	\$ 3,332,421	\$ 3,623,487
Investments (note 2)	2,087,072	1,292,680	1,439,974	4,819,726	4,535,477
Receivables	6,050	–	–	6,050	150,000
Due from General Fund	–	–	30,550	30,550	–
HST receivable	26,365	–	–	26,365	22,097
Prepaid expenses (note 6)	117,461	–	–	117,461	72,263
	4,527,553	1,952,825	1,852,195	8,332,573	8,403,324
Capital assets, net of amortization (note 3)	61,162	–	–	61,162	74,469
	\$ 4,588,715	\$ 1,952,825	\$ 1,852,195	\$ 8,393,735	\$ 8,477,793
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 84,099	\$ –	\$ –	\$ 84,099	\$ 107,249
Due to Eastern Regional Health Authority (note 6)	52,967	–	–	52,967	108,355
Due to Endowment Fund	30,550	–	–	30,550	–
Accrued severance pay	57,428	–	–	57,428	–
	225,044	–	–	225,044	215,604
Accrued severance pay	–	–	–	–	48,135
Fund balances:					
Unrestricted fund balances	4,363,671	–	–	4,394,221	3,628,186
Internally restricted fund balances	–	–	1,706,597	1,676,047	2,039,950
Externally restricted fund balances	–	1,952,825	145,598	2,098,423	2,545,918
	4,363,671	1,952,825	1,852,195	8,168,691	8,214,054
Commitments (note 7)					
	\$ 4,588,715	\$ 1,952,825	\$ 1,852,195	\$ 8,393,735	\$ 8,477,793

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director _____ Director

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	General Fund		Designated Fund		Endowment Fund		Totals	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenue:								
Miracle Network Telethon projects and donations	\$ 3,115,273	\$ 2,915,601	\$ 33,652	\$ 35,641	\$ —	\$ —	\$ 3,148,925	\$ 2,951,242
Major Gifts	253,676	15,003	603,645	391,286	—	—	857,321	406,289
Interest and other investment income (note 2)	236,660	234,887	—	—	80,838	145,111	317,498	379,998
Jamarama	125,109	133,810	—	—	—	—	125,109	133,810
Christmas Appeal	89,139	153,263	—	500	—	—	89,139	153,763
Leaders Who Care	—	—	55,428	756,863	—	—	55,428	756,863
Tribute	43,230	49,493	8,460	5,280	—	—	51,690	54,773
Planned Giving	48,309	58,927	—	—	—	—	48,309	58,927
Ball drop	35,623	51,218	—	—	—	—	35,623	51,218
Grants	3,239	2,890	—	9,026	—	—	3,239	11,916
	3,950,258	3,615,092	701,185	1,198,596	80,838	145,111	4,732,281	4,958,799
Expenses:								
Miracle Network Telethon (schedule 1)	667,154	577,124	—	—	—	—	667,154	577,124
Salaries and benefits	661,970	591,270	—	—	—	—	661,970	591,270
General and administration (schedule 2)	204,455	235,122	—	—	—	—	204,455	235,122
Christmas Appeal	36,829	32,022	—	—	—	—	36,829	32,022
Jamarama	34,489	31,166	—	—	—	—	34,489	31,166
Leaders Who Care	—	—	20,731	35,966	—	—	20,731	35,966
Ball drop	6,405	11,273	—	—	—	—	6,405	11,273
Campaigns under development	5,913	—	—	—	—	—	5,913	—
Major Gifts	1,475	3,191	—	—	—	—	1,475	3,191
Planned Giving	1,376	5,715	—	—	—	—	1,376	5,715
Tribute	443	1,325	—	—	—	—	443	1,325
	1,620,509	1,488,208	20,731	35,966	—	—	1,641,240	1,524,174
Excess of revenue over expenses before contributions	2,329,749	2,126,884	680,454	1,162,630	80,838	145,111	3,091,041	3,434,625
Contributions to Janeway Hospital (note 4)	2,000,955	2,510,518	1,127,949	828,416	—	—	3,128,904	3,338,934
Contributions to other pediatric initiatives (note 4)	7,500	57,530	—	—	—	—	7,500	57,530
	2,008,455	2,568,048	1,127,949	828,416	—	—	3,136,404	3,396,464
Excess (deficiency) of revenue over expenses	\$ 321,294	\$ (441,164)	\$ (447,495)	\$ 334,214	\$ 80,838	\$ 145,111	\$ (45,363)	\$ 38,161

See accompanying notes to financial statements.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

March 31, 2018, with comparative information for 2017

	General Fund	Designated Fund	Endowment Fund	2018	2017
Fund balances, beginning of year	\$ 3,628,186	\$ 2,400,320	\$ 2,185,548	\$ 8,214,054	\$ 8,175,893
Excess (deficiency) of revenue over expenses	321,294	(447,495)	80,838	(45,363)	38,161
Interfund transfers (note 8)	414,191	—	(414,191)	—	—
Fund balances, end of year	\$ 4,363,671	\$ 1,952,825	\$ 1,852,195	\$ 8,168,691	\$ 8,214,054

See accompanying notes to financial statements.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	General Fund	Designated Fund	Endowment Fund	2018	2017
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	\$ 321,294	\$ (447,495)	\$ 80,838	\$ (45,363)	\$ 38,161
Adjustments for:					
Interfund transfers (note 8)	(17,759)	—	17,759	—	—
Amortization	13,307	—	—	13,307	12,240
Deferred contributions recognized as revenue	—	—	—	—	(12,500)
Unrealized gains	(203,411)	—	(80,838)	(284,249)	(359,944)
Severance pay adjustment	9,293	—	—	9,293	(54,383)
Net change in non-cash working capital balances related to operations (note 5)	15,946	—	—	15,946	74,506
	138,670	(447,495)	17,759	(291,066)	(301,920)
Investing activities:					
Proceeds on sale of investments	—	—	—	—	1,447,582
Purchase of investments	—	—	—	—	(16,566)
Purchase of capital assets	—	—	—	—	(37,331)
	—	—	—	—	1,393,685
Increase (decrease) in cash and cash equivalents	138,670	(447,495)	17,759	(291,066)	1,091,765
Cash and cash equivalents, beginning of year	2,151,935	1,107,640	363,912	3,623,487	2,531,722
Cash and cash equivalents, end of year	\$ 2,290,605	\$ 660,145	\$ 381,671	\$ 3,332,421	\$ 3,623,487

See accompanying notes to financial statements.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

The Janeway Children's Hospital Foundation (the "Foundation") is a registered charitable organization created to raise funds to meet the financial needs of the Janeway Children's Health and Rehabilitation Centre for capital projects, equipment, programs and research directly related to the health and welfare of Newfoundland and Labrador children, while promoting public awareness of these needs.

As a registered charity, the Foundation is exempt from income tax and may issue charitable donation receipts.

1. Significant accounting policies:

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Accounting Handbook - Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies set out below.

(a) Fund accounting:

The Foundation applies the restricted fund method of accounting for contributions.

The General Fund contains all of the operating assets, liabilities, revenues and expenses of the Foundation related to the Foundation's mandate to raise funds to meet the financial needs of the Janeway Children's Health and Rehabilitation Centre for capital projects, equipment, programs and research.

The Designated Fund represents donations received from donors for a designated purpose. These donations are disbursed for the designated purpose.

The Endowment Fund represents donations received from donors which have been designated as a contribution to the Foundation's Little Red Wagon endowment program. Also included in the fund balance are any bequests or in-memoriam donations that have not been designated for a specific purpose. Donations of this nature have been internally restricted by the Board of Directors as additional contributions to the endowment program. Externally restricted donations are held in perpetuity in bank and investments accounts. Annually, the Foundation distributes up to 5% of the opening investment balance of the Endowment Fund to the General Fund. Under certain circumstances, further funds may be accessed with Board Approval.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Year ended March 31, 2018

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions, which include grants and donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges from corporations are recorded when collection is reasonably assured. Other donations are recorded when received since pledges cannot be reasonably estimated and ultimate collection is not reasonably assured. Pledges not collected in the year amount to \$20,906 (2017 - \$17,163).

Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recorded in revenue within the Designated Fund when initially recognized in the accounts. Externally restricted endowment contributions are recognized in revenue within the Endowment Fund when initially recognized in the accounts.

Investment income consists of interest and realized and unrealized gains and losses. Investment income earned on Endowment Fund assets is recognized as income of the Fund in the year that it is earned. Investment income earned on assets in the General Fund and Designated Fund, is considered to be unrestricted, and is recognized as revenue in the General Fund. Investment losses are recorded in a manner consistent with investment income.

(c) Capital contributions:

Capital contributions are recorded as deferred contributions and amortized to income on the same basis as the amortization expense related to the capital assets purchased. Capital contributions for capital assets that are not amortized are recorded as direct increases in fund balances.

(d) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks and short-term investments with maturities of three months or less.

(e) Vacation pay and other benefits:

Vacation pay and other benefits are recorded in the accounts of the Foundation on an accrual basis.

(f) Accrued severance pay:

Employees are entitled to severance benefits as stipulated in their conditions of employment. The right to be paid severance pay vests with employees with one year of continual service with the Foundation or another public sector employer. Severance is payable when the employee ceases employment with the Foundation and the public sector. The severance benefit obligation has been actuarially determined using assumptions based on management's best estimates of future salary and wage changes, employee age, years of service, the probability of voluntary departure due to resignation or retirement, the discount rate and other factors. Discount rates are based on corporate bonds. Actuarial gains and losses are recognized immediately through the statement of operations.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 3

Year ended March 31, 2018

1. Significant accounting policies (continued):

(g) Pension costs:

Employees of the Foundation are members of the Public Service Pension Plan (PSPP) administered by the Public Service Pension Plan Corporation and the Government Money Purchase Plan (GMPP) administered by the Government of Newfoundland and Labrador, collectively (the "Plans").

PSPP is a defined benefit pension plan covering full-time employees of the Province of Newfoundland and Labrador, the Legislature and various crown corporations, agencies and commissions created by or under a statute of the Province. As there is insufficient information available at the employer level to account for this plan as a defined benefit plan the Foundation accounts for PSPP as a defined contribution plan. PSPP's deficit is disclosed on the Public Service Pension Plan website. There are no significant changes in the contractual elements of PSPP.

GMPP is a defined contribution plan covering employees of the government of Newfoundland and Labrador that are not eligible to participate in other plans sponsored by the Government of Newfoundland and Labrador.

Contributions to the Plans are required from both the employees and the Foundation. The annual contributions to pensions are recognized as an expense in the period.

(h) Financial instruments:

Financial instruments, including employee advances, accounts payable and accrued liabilities due to and due from Eastern Regional Health Authority ("Eastern Health"), are initially recorded at their fair value and are subsequently measured at cost, net of provisions for impairment.

Investments not quoted in an active market are initially measured at fair value and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment. Investments quoted in an active market are recorded at fair value. Changes in fair value are recognized in the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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 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 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 year, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 4

Year ended March 31, 2018

1. Significant accounting policies (continued):

(i) Use of accounting estimates:

In preparing the Foundation's financial statements in conformity with Canadian accounting standards for not-for-profit organizations, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of management estimates include accrued severance pay. Actual results could differ from these estimates.

2. Investments:

	2018	2017
Managed money portfolio:		
Balanced funds	\$ 1,061,638	\$ 1,045,737
Canadian equity	316,180	317,105
Canadian real estate	1,433,401	1,368,743
US and global equity	1,434,762	1,250,379
European equity	164,740	151,425
Asset allocation funds*	409,005	402,088
	<u>\$ 4,819,726</u>	<u>\$ 4,535,477</u>

* Asset allocation funds invest in other funds. These funds are broadly diversified and may hold bonds, stocks, foreign content, real estate, and short-term securities.

Included in interest and other investment income for the year ended March 31, 2018 is an unrealized gain of \$284,249 (2017 - \$359,944).

3. Capital assets:

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Major equipment	\$ 149,140	\$ 147,729	\$ 1,411	\$ 3,910
Computers and software	8,460	7,945	515	3,919
Donor Wall	74,044	14,808	59,236	66,640
	<u>\$ 231,644</u>	<u>\$ 170,482</u>	<u>\$ 61,162</u>	<u>\$ 74,469</u>

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 5

Year ended March 31, 2018

4. Contributions:

	2018	2017
Contributions to Janeway Hospital:		
Janeway Children's Health & Rehabilitation Centre –		
Capital Equipment	\$ 2,590,961	\$ 2,730,877
Janeway Research	121,207	165,863
Education	100,000	210,234
Program support	316,736	231,960
	3,128,904	3,338,934
Contributions to other pediatric initiatives	7,500	57,530
	\$ 3,136,404	\$ 3,396,464

5. Supplemental cash flow information:

The net change in non-cash working capital balances related to operations consists of the following:

	2018	2017
Receivables	\$ 143,950	\$ 64,548
HST receivable	(4,268)	–
Prepaid expenses	(45,198)	(18,270)
Accounts payable and accrued liabilities	(23,150)	(28,657)
Due to Eastern Regional Health Authority	(55,388)	56,885
	\$ 15,946	\$ 74,506

6. Related party transactions:

Eastern Health is a related party. The Foundation operates for the purpose of accumulating funds to assist Eastern Health with the purchase of medical equipment used in the provision of patient care at the Janeway Hospital.

During the year, the Foundation contributed \$3,128,904 (2017 - \$3,338,934) to Eastern Health.

The amount due to Eastern Health relates to payroll services performed on behalf of the Foundation. Included in the prepaid expense balance, are employee advances of \$3,980 (2017 - \$3,980).

Eastern Health also provided IT support services and insurance coverage for the Foundation's Board of Directors, at no cost to the Foundation. These in-kind contributions have not been reflected in these financial statements.

Transactions between the Foundation and Eastern Health are measured at their exchange amount and the amount is non-interest bearing and has not set terms of payment.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 6

Year ended March 31, 2018

7. Commitments:

At the end of the year, the Foundation had cumulative commitments of:

	2018	2017
<u>Eastern Health:</u>		
Equipment	\$ 6,555,346	\$ 4,684,770
Research	190,000	–
Education	103,500	3,500
Programs	249,042	339,157
<u>Other:</u>		
Other hospital and therapeutic support programs	50,000	50,000
	<u>\$ 7,147,888</u>	<u>\$ 5,077,427</u>

Subsequent to year end, the Foundation disbursed \$682,114 in previously committed funds. The outstanding commitments from the current and prior years of approximately \$7,147,888 are expected to be disbursed in future fiscal years of the Foundation. These funds are expected to be disbursed up to 2021, the timing of which is not determinable by the Foundation.

8. Interfund transfers:

During the period, the Board approved a transfer of \$48,309 from the general fund to the endowment fund relating to non-restricted bequests (\$17,759 has been transferred as of March 31, 2018 and \$30,550 is awaiting the creation of accounts) and \$462,500 from the endowment fund to the general fund relating to a change in endowment policy.

9. Pension contributions:

Contributions to the pension fund during the year were \$29,359 (2017 - \$28,712).

10. Financial risks:

(a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligation. The Foundation's credit risk is primarily attributable to cash and cash equivalents and investments. The Foundation's cash and cash equivalents and investments are distributed among bank and investments accounts. The Foundation does not expect any liquidity issues or credit losses on these instruments.

(b) Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet its financial obligations as they become due. With the current cash and future liquidity position expected by management into the foreseeable future, they do not expect to require additional funds to meet cash flow needs.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 7

Year ended March 31, 2018

11. Financial risks (continued):

(c) Interest rate risk

The Foundation is exposed to interest rate risk with respect to its managed money portfolio investments because the fair value will fluctuate due to changes in market interest rates.

(d) Other price risk

The Foundation is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in managed money portfolio investments.

(e) Currency risk

Certain underlying investments are in other jurisdictions, however the funds are denominated in Canadian dollars and therefore the Foundation bears no currency risk.

12. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation in the current year. The changes do not affect prior year earnings.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Schedule 1 – Miracle network Telethon Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018		2017	
Broadcasting and production costs	\$	304,445	\$	282,472
Affiliation fees		167,258		112,934
Advertising		80,437		62,672
Merchandise		42,743		21,444
Postage		25,583		33,917
Travel		15,281		20,030
Telephone		10,958		6,801
Printing		8,777		19,869
Office and miscellaneous		8,108		12,773
Donor Recognition		3,564		–
General administration		–		4,212
	\$	667,154	\$	577,124

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Schedule 2 – General and Administration Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Rent	\$ 57,493	\$ 69,785
Professional fees	23,150	45,760
Bank and credit card fees	22,883	19,508
Software maintenance	18,970	21,098
Advertising	18,695	12,040
Amortization	13,307	12,240
Printing	11,624	9,483
Office supplies	10,715	14,864
Postage	10,404	–
Telephone	6,897	4,505
Travel	5,771	7,735
Conferences and training	2,780	11,526
Membership fees	1,766	4,538
Merchandise	–	2,040
	<u>\$ 204,455</u>	<u>\$ 235,122</u>