

Financial Statements of

**THE JANEWAY CHILDREN'S HOSPITAL
FOUNDATION**

Year ended March 31, 2017



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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, 2017, 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, 2017 and March 31, 2016, 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, 2016.

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, 2017, 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

August 29, 2017

St. John's, Canada

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	General Fund	Designated Fund	Endowment Fund	2017	2016
Assets					
Current assets:					
Cash and cash equivalents	\$ 2,151,935	\$ 1,107,640	\$ 363,912	\$ 3,623,487	\$ 2,531,722
Investments (note 2)	1,571,161	1,142,680	1,821,636	4,535,477	5,606,549
Receivables	–	150,000	–	150,000	188,805
HST receivable	22,097	–	–	22,097	47,340
Receivable from General Fund	–	–	–	–	500
Prepaid expenses (note 7)	72,263	–	–	72,263	53,993
	3,817,456	2,400,320	2,185,548	8,403,324	8,428,909
Capital assets, net of amortization (note 3)	74,469	–	–	74,469	49,378
	\$ 3,891,925	\$ 2,400,320	\$ 2,185,548	\$ 8,477,793	\$ 8,478,287
Liabilities and Fund Balances					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 107,249	\$ –	\$ –	\$ 107,249	\$ 135,406
Payable to Endowment Fund	–	–	–	–	500
Due to Eastern Regional Health Authority (note 7)	108,355	–	–	108,355	51,470
Deferred contributions	–	–	–	–	12,500
	215,604	–	–	215,604	199,876
Accrued severance pay (note 6)	48,135	–	–	48,135	102,518
Fund balances:					
Unrestricted fund balances	3,628,186	–	–	3,628,186	4,128,277
Internally restricted fund balances	–	–	2,039,950	2,039,950	1,835,912
Externally restricted fund balances	–	2,400,320	145,598	2,545,918	2,211,704
	3,628,186	2,400,320	2,185,548	8,214,054	8,175,893
Commitments (note 8)					
	\$ 3,891,925	\$ 2,400,320	\$ 2,185,548	\$ 8,477,793	\$ 8,478,287

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, 2017, with comparative information for 2016

	General Fund		Designated Fund		Endowment Fund		Totals	
	2017	2016	2017	2016	2017	2016	2017	2016
Revenue:								
Miracle Network Telethon projects and donations	\$2,915,601	\$ 2,657,505	\$ 35,641	\$ 2,400	\$ —	\$ —	\$ 2,951,242	\$ 2,659,905
Leaders Who Care	—	—	756,863	1,128,144	—	—	756,863	1,128,144
Major Gifts	15,003	65,000	391,286	282,685	—	—	406,289	347,685
Interest and other investment income (note 2)	234,887	58,108	—	—	145,111	11,681	379,998	69,789
Christmas Appeal	153,263	100,567	500	—	—	—	153,763	100,567
Jamarama	133,810	161,112	—	—	—	—	133,810	161,112
Planned Giving	58,927	18,434	—	—	—	—	58,927	18,434
Tribute	49,493	31,968	5,280	8,703	—	500	54,773	41,171
Ball drop	51,218	85,086	—	—	—	—	51,218	85,086
Grants	2,890	2,810	9,026	—	—	—	11,916	2,810
	3,615,092	3,180,590	1,198,596	1,421,932	145,111	12,181	4,958,799	4,614,703
Expenses:								
Salaries and benefits	591,270	690,640	—	—	—	—	591,270	690,640
Miracle Network Telethon (schedule 1)	577,124	553,704	—	—	—	—	577,124	553,704
General and administration (schedule 2)	235,122	183,566	—	—	—	37	235,122	183,603
Leaders Who Care	—	—	35,966	25,019	—	—	35,966	25,019
Christmas Appeal	32,022	30,936	—	—	—	—	32,022	30,936
Jamarama	31,166	49,120	—	—	—	—	31,166	49,120
Ball drop	11,273	7,763	—	—	—	—	11,273	7,763
Planned Giving	5,715	2,692	—	—	—	—	5,715	2,692
Major Gifts	3,191	1,102	—	—	—	—	3,191	1,102
Tribute	1,325	1,816	—	—	—	—	1,325	1,816
	1,488,208	1,521,339	35,966	25,019	—	37	1,524,174	1,546,395
Excess of revenue over expenses before contributions	2,126,884	1,659,251	1,162,630	1,396,913	145,111	12,144	3,434,625	3,068,308
Contributions to Janeway Hospital (note 4)	2,510,518	1,901,256	828,416	761,569	—	—	3,338,934	2,662,825
Contributions to other pediatric initiatives (note 4)	57,530	47,313	—	—	—	—	57,530	47,313
	2,568,048	1,948,569	828,416	761,569	—	—	3,396,464	2,710,138
Excess (deficiency) of revenue over expenses	\$ (441,164)	\$ (289,318)	\$ 334,214	\$ 635,344	\$ 145,111	\$ 12,144	\$ 38,161	\$ 358,170

See accompanying notes to financial statements.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

March 31, 2017, with comparative information for 2016

	General Fund	Designated Fund	Endowment Fund	2017	2016
Fund balances, beginning of year	\$ 4,128,277	\$ 2,066,106	\$ 1,981,510	\$ 8,175,893	\$ 7,817,723
Excess (deficiency) of revenue over expenses	(441,164)	334,214	145,111	38,161	358,170
Interfund transfers (note 9)	(58,927)	—	58,927	—	—
Fund balances, end of year	\$ 3,628,186	\$ 2,400,320	\$ 2,185,548	\$ 8,214,054	\$ 8,175,893

See accompanying notes to financial statements.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	General Fund	Designated Fund	Endowment Fund	2017	2016
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	\$ (441,164)	\$ 334,214	\$ 145,111	\$ 38,161	\$ 358,170
Adjustments for:					
Interfund transfers	(58,927)	–	58,927	–	–
Amortization	12,240	–	–	12,240	3,043
Deferred contributions recognized as revenue	(12,500)	–	–	(12,500)	3,335
Unrealized gains	(218,058)	–	(141,886)	(359,944)	(29,412)
Severance pay adjustment	(54,383)	–	–	(54,383)	45,945
Net change in non-cash working capital balances related to operations (note 5)	72,645	–	1,861	74,506	(558,294)
	(700,147)	334,214	64,013	(301,920)	(177,213)
Investing activities:					
Proceeds on sale of investments	1,158,065	–	289,517	1,447,582	2,584,164
Purchase of investments	(13,253)	–	(3,313)	(16,566)	(1,446,736)
Purchase of capital assets	(37,331)	–	–	(37,331)	(42,969)
	1,107,481	–	286,204	1,393,685	1,094,459
Increase in cash and cash equivalents	407,334	334,214	350,217	1,091,765	917,246
Cash and cash equivalents, beginning of year	1,744,601	773,426	13,695	2,531,722	1,614,476
Cash and cash equivalents, end of year	\$ 2,151,935	\$ 1,107,640	\$ 363,912	\$ 3,623,487	\$ 2,531,722

See accompanying notes to financial statements.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

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, with earnings on those contributions disbursed based on the recommendations from the Board of Directors.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Year ended March 31, 2017

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 \$17,163 (2016 - \$22,552).

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. Capital contributions for the year were nil (2016 - nil).

(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 nine years 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.

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Notes to Financial Statements, page 3

Year ended March 31, 2017

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, 2017

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 the assumptions used in the valuation of accrued severance pay. Actual results could differ from these estimates.

2. Investments:

	2017	2016
Guaranteed investment certificate, due December 11, 2016, bearing interest at 1.64%	\$ -	\$ 1,424,183
Managed money portfolio:		
Balanced	1,045,737	981,761
Canadian equity	317,105	270,552
Canadian specialty	1,368,743	1,320,787
Foreign equity	1,250,379	1,090,484
Foreign specialty	151,425	137,043
Other	402,088	381,739
	\$ 4,535,477	\$ 5,606,549

Included in interest and other investment income for the year ended March 31, 2017 is an unrealized gain of \$359,944 (2016 - \$29,412).

3. Capital assets:

	2017		2016	
	Cost	Accumulated amortization	Net book value	Net book value
Major equipment	\$ 149,140	\$ 145,230	\$ 3,910	\$ 6,409
Computers and software	8,460	4,541	3,919	4,123
Donor Wall	74,044	7,404	66,640	38,846
	\$ 231,644	\$ 157,175	\$ 74,469	\$ 49,378

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 5

Year ended March 31, 2017

4. Contributions:

	2017	2016
Contributions to Janeway Hospital:		
Janeway Children's Health & Rehabilitation Centre –		
Capital Equipment	\$ 2,730,877	\$ 2,001,984
Janeway Research	165,863	218,000
Education	210,234	120,150
Program support	231,960	322,691
	3,338,934	2,662,825
Contributions to other pediatric initiatives	57,530	47,313
	\$ 3,396,464	\$ 2,710,138

5. Supplemental cash flow information:

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

	2017	2016
Receivables	\$ 64,548	\$ (172,471)
Prepaid expenses	(18,270)	47,895
Accounts payable and accrued liabilities	(28,657)	(233,436)
Due to Eastern Health	56,885	(200,282)
	\$ 74,506	\$ (558,294)

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 6

Year ended March 31, 2017

6. Accrued severance pay:

The Foundation provides a severance payment to employees, as stipulated in their conditions of employment, upon retirement, resignation or termination without cause. The initial actuarial valuation was performed effective March 31, 2016, and an extrapolation of that valuation has been performed to March 31, 2017.

	2017	2016
Accrued benefit obligation, beginning of year	\$ 102,518	\$ 56,573
Benefit expenses:		
Current service cost	5,733	7,734
Interest cost	1,446	2,941
Actuarial (gain) loss	(61,562)	35,270
	48,135	102,518
Benefits paid	—	—
	\$ 48,135	\$ 102,518

Significant actuarial assumptions used in measuring the accrued severance and severance benefit expenses are as follows:

	2017	2016
Discount rate	3.30%	3.20%
Rate of compensation increase	3.75%	3.75%

7. 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 \$3,338,934 (2016 - \$2,662,825) 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 (2016 - \$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 7

Year ended March 31, 2017

8. Commitments:

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

	2017	2016
<u>Eastern Health:</u>		
Equipment	\$ 4,684,770	\$ 5,451,305
Education	3,500	110,500
Programs	339,157	257,767
<u>Other:</u>		
Other hospital and therapeutic support programs	50,000	9,500
	<u>\$ 5,077,427</u>	<u>\$ 5,829,072</u>

Subsequent to year end, the Foundation committed an additional \$1,550,000 for capital equipment and \$600,000 for education, research, and programming needs.

Also, subsequent to year end, the Foundation disbursed \$1,005,397 in previously committed funds. The outstanding commitments from the current and prior years of approximately \$4,072,030 are expected to be disbursed in future fiscal years of the Foundation. These funds are expected to be disbursed up to 2020, the timing of which is not determinable by the Foundation.

9. Interfund transfers:

During the period, the Board approved a transfer of \$58,927 from the general fund to the endowment fund relating to non-restricted bequests.

10. Pension contributions:

Contributions to the pension fund during the year were \$28,712 (2016 - \$32,000).

11. 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 8

Year ended March 31, 2017

10. 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.

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Schedule 1 – Miracle network Telethon Expenses

Year ended March 31, 2017, with comparative information for 2016

	2017		2016	
Broadcasting and production costs	\$	282,472	\$	303,467
Affiliation fees		112,934		91,122
Advertising		62,672		72,596
Postage		33,917		20,122
Merchandise		21,444		4,663
Travel		20,030		15,894
Printing		19,869		27,920
Office and miscellaneous		12,773		5,062
Telephone		6,801		7,141
General administration		4,212		4,247
Professional fees		–		1,470
	\$	577,124	\$	553,704

THE JANEWAY CHILDREN'S HOSPITAL FOUNDATION

Schedule 2 – General and Administration Expenses

Year ended March 31, 2017, with comparative information for 2016

	2017		2016	
Rent	\$	69,785	\$	65,514
Professional fees		45,760		22,350
Software maintenance		21,098		18,380
Bank and credit card fees		19,508		18,277
Office supplies		14,864		8,362
Amortization		12,240		3,043
Advertising		12,040		5,373
Conferences and training		11,526		10,231
Printing		9,483		11,625
Travel		7,735		7,740
Membership fees		4,538		4,638
Telephone		4,505		5,283
Merchandise		2,040		2,787
	\$	235,122	\$	183,603