

# **NORTH END COMMUNITY HEALTH ASSOCIATION FINANCIAL STATEMENTS**

**For the year ended March 31, 2020**



North End  
**COMMUNITY  
HEALTH CENTRE**

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**NORTH END COMMUNITY HEALTH ASSOCIATION**  
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**For the year ended March 31, 2020**

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LYLE TILLEY DAVIDSON  
Chartered Professional Accountants

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**INDEPENDENT AUDITOR'S REPORT**

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To the Members of North End Community Health Association

*Qualified Opinion*

We have audited the financial statements of North End Community Health Association (the Association), which comprise the statement of operations for the year ended March 31, 2020, and the statement of financial position as at March 31, 2020, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2020, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Association derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded by the Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2019 and March 31, 2020, current assets and net assets as at March 31, 2019 and March 31, 2020. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2019 was modified accordingly because of the possible effects of this limitation of scope.

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 Association in accordance with 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 audit opinion.

*Other Matter*

The financial statements for the year ended March 31, 2019 were audited by another auditor who expressed a qualified opinion on those financial statements on August 22, 2019 for the reasons described in the *Basis for Qualified Opinion* section.

*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 ASNPO, 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.

*(continues)*

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

Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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.



Halifax, Nova Scotia  
September 17, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

**NORTH END COMMUNITY HEALTH ASSOCIATION**  
**STATEMENT OF OPERATIONS**  
For the year ended March 31, 2020



	Unrestricted	Internally Restricted Fund	Externally Restricted	Capital Fund	2020	2019
	\$	\$	\$	\$	\$	\$
<b>Revenues</b>						
Medical Services Insurance program	1,284,061				1,284,061	1,107,773
Nova Scotia Health Authority	1,668,793				1,668,793	1,717,337
Affordable Housing Association of NS	617,302				617,302	692,584
Generated revenue	43,148				43,148	21,415
Rent and recoveries	15,886				15,886	15,053
Fundraising revenue	69,787				69,787	91,488
Other grants	308,374				308,374	233,461
Amortization of capital grants				21,472	21,472	14,732
Interest and Investment income	3,086	5,340	7,056		15,482	3,966
Other income	49,963				49,963	4,102
<b>Total revenues</b>	<b>4,060,398</b>	<b>5,340</b>	<b>7,056</b>	<b>21,472</b>	<b>4,094,266</b>	<b>3,901,911</b>
<b>Expenditures</b>						
<b>Direct costs</b>						
Wages and benefits	1,821,463				1,821,463	1,792,939
Physician services	911,266				911,266	755,995
Medical supplies	58,504				58,504	29,839
Licensing	29,163				29,163	16,891
Vehicle expenses	8,709				8,709	7,218
Client specific	162,357				162,357	191,149
Other direct costs	44,753		2,000		46,754	22,511
<b>Total direct costs</b>	<b>3,036,216</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>3,038,216</b>	<b>2,816,542</b>
<b>Indirect costs</b>						
Wages and benefits	558,643				558,643	531,730
Training and travel	64,517				64,517	37,953
Office expenses	54,160				54,159	52,595
Professional fees	63,659				63,660	114,608
IT resources	73,083				73,083	73,807
Communications	33,094				33,094	31,125
Other indirect costs	15,211				15,211	71,185
Rent	106,065				106,065	106,619
Taxes and insurance	18,062				18,062	17,449
Utilities and maintenance	6,651				6,651	10,231
Event costs	19,303				19,303	21,426
<b>Total indirect costs</b>	<b>1,012,447</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,012,447</b>	<b>1,068,728</b>
<b>Total expenditures</b>	<b>4,048,663</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>4,050,664</b>	<b>3,885,271</b>
<b>Net surplus (deficiency), before other items</b>	<b>11,735</b>	<b>5,340</b>	<b>5,056</b>	<b>21,472</b>	<b>43,603</b>	<b>16,641</b>
Depreciation				79,670	79,670	99,687
<b>Net surplus (deficiency), after other items</b>	<b>11,735</b>	<b>5,340</b>	<b>5,056</b>	<b>(58,200)</b>	<b>(36,068)</b>	<b>(83,047)</b>

**NORTH END COMMUNITY HEALTH ASSOCIATION**  
**STATEMENT OF FINANCIAL POSITION**  
For the year ended March 31, 2020



	Unrestricted	Internally Restricted	Externally Restricted	Capital Fund	2020	2019
	\$	\$	\$	\$	\$	\$
<b>ASSETS</b>						
<b>Current</b>						
Cash	544,424				544,424	73,873
Short term investments (Note 5)	6,587	250,530			257,117	457,889
Restricted cash			44,115		44,115	166,776
Accounts receivable (Note 3)	192,516				192,516	185,842
Prepaid expenses	12,758				12,758	20,482
	756,285	250,530	44,115		1,050,930	904,863
Long term investments (Note 6)		102,310			102,310	100,000
Capital assets (Note 4)				300,297	300,297	316,680
	756,285	352,840	44,115	300,297	1,453,537	1,321,543
<b>LIABILITIES</b>						
<b>Current</b>						
Accounts payable	195,225				195,225	234,470
Government remittances payable	-				-	23,858
Deferred revenue (Note 7)	477,993		23,426	99,791	601,210	378,931
Amounts held in trust			10,513		10,513	1,624
Due to (from) fund	10,352	(10,788)	4,402	(3,966)	-	-
	683,570	(10,788)	38,341	95,825	806,947	638,883
<b>Net assets (Page 5)</b>						
Net assets invested in capital assets				204,472	204,472	254,678
Externally restricted net assets			5,774		5,774	718
Operating net assets	72,715				72,715	68,975
Internally restricted net assets		363,628			363,628	358,288
	72,715	363,628	5,774	204,472	646,590	682,659
	756,285	352,840	44,115	300,297	1,453,537	1,321,543

*Commitments (Note 10)*

*Contingencies (Note 11)*

*Approved on behalf of the Board:*

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

**NORTH END COMMUNITY HEALTH ASSOCIATION**  
**STATEMENT OF CHANGES IN NET ASSETS**  
For the year ended March 31, 2020



	Unrestricted	Internally Restricted Fund (Note 2)	Externally Restricted	Net Assets Invested in Capital Assets	2020	2019
	\$	\$	\$	\$	\$	\$
<b>Balance, beginning of year</b>	68,975	358,288	718	254,678	<b>682,659</b>	<b>765,706</b>
Net surplus (deficit) (Page 3)	11,735	5,340	5,056	(58,200)	<b>(36,068)</b>	<b>(83,046)</b>
Transfers	(7,994)			7,994	-	-
<b>Balance, end of year</b>	<b>72,715</b>	<b>363,628</b>	<b>5,774</b>	<b>204,472</b>	<b>646,590</b>	<b>682,659</b>

**NORTH END COMMUNITY HEALTH ASSOCIATION**  
**STATEMENT OF CASH FLOW**  
For the year ended March 31, 2020



	2020	2019
	\$	\$
<b>Cash flow from operating activities</b>		
Net (deficit)	(36,068)	(83,047)
Amortization of deferred capital grants	(21,472)	(14,732)
Amortization of capital assets	79,670	99,687
	<u>22,130</u>	<u>1,910</u>
<b>Change in non-cash operating working capital</b>		
Accounts receivable	(6,674)	(76,662)
Prepays	7,724	(9,326)
Accounts payable	(63,106)	106,920
Deferred revenue	243,750	(141,917)
Amounts held in trust	8,889	1,624
	<u>190,584</u>	<u>(119,361)</u>
<b>Total cash flow from operating activities</b>	<u>212,714</u>	<u>(117,451)</u>
<b>Cash flows from investing activities</b>		
Long term investments	(2,310)	(100,000)
Purchase of capital assets	(63,287)	(33,571)
	<u>(65,597)</u>	<u>(133,571)</u>
<b>Cash inflow (outflow) for the year</b>	<u>147,117</u>	<u>(251,022)</u>
<b>Cash, beginning of year</b>	<u>698,538</u>	<u>949,560</u>
<b>Cash, end of year</b>	<u>845,655</u>	<u>698,538</u>
<b>Cash is made up of the following:</b>		
Cash	544,424	73,873
Restricted cash and short term investments	44,115	166,776
Short term investments	257,117	457,889
	<u>845,655</u>	<u>698,538</u>



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# NORTH END COMMUNITY HEALTH ASSOCIATION

## Notes to Financial Statements

### For the year ended March 31, 2020

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#### 1. Description of the organization

North End Community Health Association (the "Association") is a not-for-profit organization incorporated provincially under the Societies Act of Nova Scotia in 1971. As a registered charity, the company is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

With a voluntary Board of Directors, the mission statement of the North End Community Health Association includes supporting the North End of Halifax by offering leadership in primary health care, education and advocacy in order to achieve a healthy community. Board members include representatives from the local community, community organizations and the Health Centre.

#### 2. Summary of significant accounting policies

##### Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

##### Cash

Cash consists of balances held with financial institutions, cash on hand and highly liquid investments with a maturity of one year or less.

##### Short term investments

Short term investments consist of highly liquid investments with a maturity date of one year or less.

##### Capital assets

Capital assets are recorded at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer (purchased before Feb 2009)	30%	declining balance method
Computer (purchased after Jan 2011)	55%	declining balance method
Computer software	100%	declining balance method
Data infrastructure	10 years	straight-line method
Equipment	20%	declining balance method
Leasehold improvements		over the term of the lease
System software	55%	declining balance method
Telephone	55%	declining balance method
Vehicles	30%	declining balance method

##### Government assistance

Government assistance for acquiring fixed assets is recorded as deferred government assistance and is amortized on the same basis as the related fixed assets.

##### Fund accounting

North End Community Health Association follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities including the activities of a publicly funded collaborative care clinic and a privately funded dental clinic are reported in the Operating Fund.

The unrestricted fund reports the assets, liabilities, revenues and expenses of day to day operations of the centre, including the clinic, any projects and programs that are on going.

The Internally Restricted Fund reports the assets, liabilities, revenues and expenses of fundraising and donation activities of the Association, which have been set aside for specific purposes as approved by the board.

The net assets invested in capital assets reports the assets, liabilities, revenues and expenses related to North End Community Health Association's capital assets.

The externally restricted fund reports the assets, liabilities, revenues and expenses of donations that have been specified for the Margaret Casey Education Fund.



**2. Summary of significant accounting policies (continued)**

Revenue recognition

North End Community Health Association follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions of capital assets and contributions for purposes of acquiring such assets are deferred, and recognized as revenue on the same basis as the underlying assets are amortized.

All other revenue sources are recognized at the time that the service is rendered.

Investment income is recognized as it is earned by the investments.

Contributed services and materials

Contributed materials and services are recorded in the financial statements when their fair value can be reasonably determined, they are used in the normal course of operations and would otherwise have been purchased. During the year, there were no contributed services, materials or equipment.

Measurement uncertainty

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in the earnings in the period in which they become known. Actual results could differ from these estimates. The most significant estimates in these financial statements are the useful lives of capital assets, accrued liabilities and deferred revenue.

Impairment of long lived assets

The Association tests for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability is assessed by comparing the carrying amount to the projected future net cash flows the long-lived assets are expected to generate through their direct use and eventual disposition. When a test for impairment indicates that the carrying amount of an asset is not recoverable, an impairment loss is recognized to the extent the carrying value exceeds its fair value.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

**3. Accounts receivable**

	<b>2020</b>	<b>2019</b>
Accounts receivable	<b>\$ 163,278</b>	<b>\$ 169,999</b>
Harmonized sales tax	<b>29,238</b>	<b>15,843</b>
	<b>\$ 192,516</b>	<b>\$ 185,842</b>

**NORTH END COMMUNITY HEALTH ASSOCIATION**  
**Notes to Financial Statements**  
**For the year ended March 31, 2020**



**4. Capital assets**

	Cost	Accumulated Amortization	2020 Net Book Value	2019 Net Book Value
Equipment	209,139	102,332	106,807	127,390
Computer	66,662	54,094	12,568	29,527
System software	34,020	29,026	4,994	11,099
Vehicles	110,996	60,549	50,447	1,823
Telephone	21,668	18,487	3,181	7,069
Data infrastructure	116,056	34,818	81,238	92,844
Leasehold improvements	57,094	16,032	41,062	46,928
	<b>\$ 617,965</b>	<b>\$ 317,668</b>	<b>\$ 300,297</b>	<b>\$ 316,680</b>

The above values include donated dental equipment with a fair market value of \$92,466 and a donated vehicle with a fair market value of \$57,848. The values of the equipment and vehicle are recorded in capital assets and the contribution recorded in deferred revenue is amortized at the same rate as the assets.

**5. Short term investments, at market**

	2020	2019
Scotiabank Equity Powered GIC, bearing interest at 1.25% maturing September 11, 2020	<b>\$ 200,089</b>	<b>\$ 200,000</b>
Scotiabank GIC, bearing interest at 1.78% maturing October 3, 2020	<b>50,441</b>	<b>50,000</b>
Credit Union term deposit, bearing interest at 0.35% maturing April 12, 2020	<b>6,587</b>	<b>6,565</b>
One-year Royal Bank GIC, with interest rate of 1.2% and matured June 24, 2019	-	<b>100,000</b>
One-year Royal Bank cashable GIC, with interest rate of 0.5% and matured June 24, 2019	-	<b>101,324</b>
	<b>\$ 257,117</b>	<b>\$ 457,889</b>

**6. Long term investments, at market**

	2020	2019
Scotiabank GIC, bearing interest at 2.2% maturing May 29, 2021	<b>\$ 102,310</b>	<b>\$ 100,000</b>
	<b>\$ 102,310</b>	<b>\$ 100,000</b>

**NORTH END COMMUNITY HEALTH ASSOCIATION**  
**Notes to Financial Statements**  
**For the year ended March 31, 2020**



**7. Deferred revenue**

	2020	2019
Grants for capital assets	\$ 99,791	\$ 62,002
Affordable Housing Association of Nova Scotia	24,094	16,595
Province NS	259,592	4,317
Restricted donations	17,060	19,334
MSI funding	80,310	148,781
Other grants	96,937	97,510
Social work projects	-	7,931
Margaret Casey restricted fund	23,426	22,461
	<b>\$ 601,210</b>	<b>\$ 378,931</b>

**8. Financial instruments**

The Association is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. Financial instruments consist of cash, accounts receivable, short and long term investments, accounts payable and amounts held in trust. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2020.

***Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The majority of funding for the Association stems from government sources, so revenue exposed to credit risk is minimal.

***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Association is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, and accounts payable.

***Market risk***

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Association is mainly exposed to interest rate risk.

***Interest rate risk***

rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through its credit facilities.



**9. Employee future benefits**

Defined benefit pension plan

Employees of the Association participate in the Nova Scotia Health Employees Pension Plan, a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides benefits based on length of service and earnings. Contributions to the plan are required by both the employees and the employer. Total employer contributions for 2020 were \$172,540 (2019 - \$165,842) and are recognized as an expense during the year. The Association is not responsible for any under-funded liability, nor does the Association have any access to any surplus that may arise in the plan.

Pension costs

The Association has an RRSP matching program for employees that were grandfathered in. The Association will match an employee's contribution up to 5% of their annual salary. The total employer contributions for 2020 were \$1,897 (2019 - \$2,532) and are recognized as an expense during the year.

**10. Commitments**

The Association signed a sublease for a ten year period. The associated costs with the lease of the next five years are listed below.

2021	\$	106,565
2022		106,565
2023		106,565
2024		106,565
2025		106,565

**11. Contingent liability**

The employees of the Association are permitted to accumulate up to 90 days of sick time. As of March 31, 2020, the employees have accumulated 9,413 hours which amounts \$322,146 (2019 - \$304,730). This amount has not been recorded in the financial statements as a liability due to the uncertainty surrounding how much time will be used and because the accrued sick time cannot be paid out in lieu of time taken.

**12. Line of credit**

The Association has a line credit with the Scotia Bank to a maximum of \$100,000 and bears interest at prime plus 1.75%. As of March 31, 2020, the balance was nil (2019 - nil). The balance has been netted with cash on the statement of financial position. The line of credit is secured by a GIC with a principal amount of \$101,551 bearing interest at 2.20% per annum.

**13. Comparative figures**

Some of the comparative figures have been reclassified to conform to the current year's presentation.

**14. Subsequent events**

Beginning in March 2020 the Governments of Canada and Nova Scotia, as well as foreign governments instituted emergency measures as a result of the COVID-19 virus. The virus has had a major impact on Canadian and international securities and currency markets and consumer activity which may impact the Association's financial position, its results of operations and its cash flows significantly. As these are subsequent events, these financial statements do not reflect such impact. As at the date of these financial statements it is also not possible to accurately quantify or estimate that impact.