

NORTH END COMMUNITY HEALTH ASSOCIATION FINANCIAL STATEMENTS

For the year ended March 31, 2021



North End
**COMMUNITY
HEALTH CENTRE**

NORTH END COMMUNITY HEALTH ASSOCIATION
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For the year ended March 31, 2021



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LYLE TILLEY DAVIDSON

Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

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 financial position as at March 31, 2021, and the statements of operations, 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, 2021, 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 in the records of the association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenditures, and cash flows from operations for the years ended March 31, 2020 and March 31, 2021, current assets and net assets as at March 31, 2020 and March 31, 2021. Our audit opinion on the financial statements for the year ended March 31, 2020 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.

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.

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.

(continues)

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 16, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

NORTH END COMMUNITY HEALTH ASSOCIATION
STATEMENT OF OPERATIONS
For the year ended March 31, 2021



	Unrestricted	Internally Restricted	Externally Restricted	Capital Fund	2021	2020
	\$	\$	\$	\$	\$	\$
Revenues						
Medical Services Insurance program	1,298,327				1,298,327	1,284,061
Nova Scotia Health Authority	1,828,961				1,828,961	1,668,793
Affordable Housing Association of NS	695,025				695,025	617,302
Generated revenue	40,746				40,746	43,148
Rent and recoveries	15,789				15,789	15,886
Fundraising revenue	49,308				49,308	69,787
Other grants	844,115				844,115	308,374
Amortization of capital grants				32,415	32,415	21,472
Interest and Investment income	20	3,505	6,209		9,734	15,482
Other income	2,936				2,936	49,963
Total revenues	4,775,228	3,505	6,209	32,415	4,817,357	4,094,266
Expenditures						
Direct costs						
Wages and benefits	2,003,310				2,003,310	1,821,463
Physician services	910,204				910,204	911,266
Medical supplies	54,942				54,942	58,504
Licensing	48,502				48,502	29,163
Vehicle expenses	11,435				11,435	8,709
Client specific	285,059				285,059	162,357
Other direct costs	119,150				119,150	46,754
Total direct costs	3,432,603				3,432,602	3,038,216
Indirect costs						
Wages and benefits	663,317				663,317	558,643
Training and travel	32,322				32,322	64,517
Office expenses	83,048				83,048	54,159
Professional fees	98,243				98,243	63,660
IT resources	90,878				90,878	73,083
Communications	33,390				33,390	33,094
Other indirect costs	27,661				27,661	15,211
Rent	178,906				178,906	106,065
Taxes and insurance	20,989				20,989	18,062
Utilities and maintenance	44,754				44,754	6,651
Event costs	-				-	19,303
Total indirect costs	1,273,507				1,273,508	1,012,448
Total expenditures	4,706,110				4,706,110	4,050,664
Net surplus, before other items	69,118	3,505	6,209	32,415	111,247	43,602
Depreciation				72,826	72,826	79,670
Net surplus (deficiency), after other items	69,118	3,505	6,209	(40,412)	38,420	(36,068)

NORTH END COMMUNITY HEALTH ASSOCIATION
STATEMENT OF FINANCIAL POSITION
For the year ended March 31, 2021



	Unrestricted	Internally Restricted	Externally Restricted	Capital Fund	2021	2020
	\$	\$	\$	\$	\$	\$
ASSETS						
Current						
Cash	1,656,646				1,656,646	544,424
Short term investments (Note 5)	6,602	356,345			362,947	257,117
Restricted cash			67,572		67,572	44,115
Accounts receivable (Note 3)	247,130				247,130	192,516
Prepaid expenses	59,510				59,510	12,758
	1,969,888	356,345	67,572		2,393,806	1,050,930
Long term investments (Note 6)					-	102,310
Capital assets (Note 4)				1,182,444	1,182,444	300,297
	1,969,888	356,345	67,572	1,182,444	3,576,250	1,453,537
LIABILITIES						
Current						
Accounts payable	352,643				352,643	195,225
Deferred revenue (Note 7)	1,462,618		23,426	1,021,567	2,507,611	601,210
Amounts held in trust			30,986		30,986	10,513
Due to (from) fund	12,794	(10,788)	1,177	(3,183)	-	-
	1,828,055	(10,788)	55,589	1,018,384	2,891,240	806,948
Net assets (Page 5)						
Net assets invested in capital assets				164,060	164,060	204,472
Externally restricted net assets			11,983		11,983	5,774
Operating net assets	141,833				141,833	72,715
Internally restricted net assets		367,133			367,133	363,628
	141,833	367,133	11,983	164,060	685,009	646,589
	1,969,888	356,345	67,572	1,182,444	3,576,250	1,453,537

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, 2021



	Unrestricted	Internally Restricted (Note 2)	Externally Restricted	Net Assets Invested in Capital Assets	2021	2020
	\$	\$	\$	\$	\$	\$
Balance, beginning of year	72,715	363,628	5,774	204,472	646,589	682,657
Net surplus (deficit) (Page 3)	69,118	3,505	6,209	(40,412)	38,420	(36,068)
Balance, end of year	141,833	367,133	11,983	164,060	685,009	646,589

NORTH END COMMUNITY HEALTH ASSOCIATION
STATEMENT OF CASH FLOW
For the year ended March 31, 2021



	2021	2020
	\$	\$
Cash flow from operating activities		
Net surplus (deficit)	38,420	(36,068)
Amortization of deferred capital grants	(32,415)	(21,472)
Amortization of capital assets	72,826	79,670
	<u>78,831</u>	<u>22,130</u>
Change in non-cash operating working capital		
Accounts receivable	(54,614)	(6,674)
Prepays	(46,752)	7,724
Accounts payable	157,418	(63,106)
Deferred revenue	1,938,817	243,750
Amounts held in trust	20,473	8,889
	<u>2,015,342</u>	<u>190,584</u>
Total cash flow from operating activities	<u>2,094,173</u>	<u>212,714</u>
Cash flows from investing activities		
Long term investments	102,310	(2,310)
Purchase of capital assets	(954,973)	(63,287)
	<u>(852,663)</u>	<u>(65,597)</u>
Cash inflow (outflow) for the year	1,241,510	147,117
Cash, beginning of year	<u>845,655</u>	<u>698,538</u>
Cash, end of year	<u>2,087,165</u>	<u>845,655</u>
Cash is made up of the following:		
Cash	1,656,646	544,424
Restricted cash and short term investments	67,572	44,115
Short term investments	362,947	257,117
	<u>2,087,165</u>	<u>845,655</u>

NORTH END COMMUNITY HEALTH ASSOCIATION

Notes to Financial Statements

For the year ended March 31, 2021



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

Building	4%	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	various	straight-line over the lease term
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. Government assistance for current expenses is recorded as other grant revenue.

Fund accounting

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.

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.

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. Significant estimates include the useful lives of capital assets, accrued liabilities and deferred revenue.

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

	<u>2021</u>	<u>2020</u>
Accounts receivable	\$ 141,417	\$ 163,278
Harmonized sales tax	105,713	29,238
	<u>\$ 247,130</u>	<u>\$ 192,516</u>

NORTH END COMMUNITY HEALTH ASSOCIATION
Notes to Financial Statements
For the year ended March 31, 2021



4. Capital assets

	Cost	Accumulated Amortization	2021 Net Book Value	2020 Net Book Value
Land	\$ 457,762	\$ -	\$ 457,762	\$ -
Building	457,762	-	457,762	-
Equipment	209,139	123,693	85,446	106,807
Computer	66,662	61,007	5,655	12,568
System software	34,020	31,772	2,248	4,994
Vehicles	110,996	75,683	35,313	50,447
Telephone	21,668	20,236	1,432	3,181
Data infrastructure	116,056	46,424	69,632	81,238
Leasehold improvements	96,541	29,347	67,194	41,062
	\$ 1,572,936	\$ 390,492	\$ 1,182,444	\$ 300,297

The above values include donated dental equipment with a carrying value of \$35,902. The value of the equipment is recorded in capital assets and the contribution recorded in deferred revenue and amortized at the same rate as the assets.

5. Short term investments, at market

	2021	2020
Scotiabank GIC, bearing interest at 2.2% maturing May 29, 2021	\$ 104,561	\$ 200,089
Scotiabank GIC, bearing interest at 0.6% maturing October 6, 2021	51,040	50,441
Credit Union term deposit, bearing interest at 0.1% maturing April 7, 2021	6,602	6,587
Scotiabank GIC, bearing interest at 0.6% maturing September 14, 2021	200,744	
	\$ 362,947	\$ 257,117

6. Long term investments, at market

	2021	2020
Scotiabank Equity Powered GIC, bearing interest at 1.25% maturing September 11, 2020	\$ -	\$ 102,310
	\$ -	\$ 102,310

NORTH END COMMUNITY HEALTH ASSOCIATION
Notes to Financial Statements
For the year ended March 31, 2021



7. Deferred revenue

	2021	2020
Grants for capital assets	\$ 1,021,567	\$ 99,791
Affordable Housing Association of Nova Scotia	34,586	24,094
HRM	310,915	-
Province NS	702,314	259,592
Prepaid rent	3,310	-
Restricted donations	60,612	17,060
MSI funding	18,035	80,310
Other grants	332,846	96,937
Margaret Casey restricted fund	23,426	23,426
	<u>\$ 2,507,611</u>	<u>\$ 601,210</u>

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 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, 2021.

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 and funders. 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

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest 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.

NORTH END COMMUNITY HEALTH ASSOCIATION
Notes to Financial Statements
For the year ended March 31, 2021



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 2021 were \$176,182 (2020 - \$172,540) 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 2021 were nil (2020 - \$1,897) and are recognized as an expense during the year.

10. Commitments

The association has several long term leases with respect to its premises and rental properties. The leases contain renewal options and provide for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at March 31, 2021 are as follows:

2022	\$	258,054
2023		170,040
2024		126,230
2025		126,623
2026		113,295
Thereafter		213,130
Total	\$	1,007,372

11. Contingent liability

The employees of the association are permitted to accumulate up to 90 days of sick time. As of March 31, 2021, the employees have accumulated 10,460 hours which amounts \$385,671 (2020 - \$322,146). 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, 2021, the balance was nil (2020 - nil).

13. COVID 19

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 on-going events, these financial statements do not reflect any potential future impact. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the association as at the report date.