

NORTH END COMMUNITY HEALTH ASSOCIATION
Financial Statements
Year Ended March 31, 2022

NORTH END COMMUNITY HEALTH ASSOCIATION
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Year Ended March 31, 2022

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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, 2022, and the statements of revenues and expenditures and changes in net assets and cash flows 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, 2022, 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, 2021 and March 31, 2022, current assets and net assets as at March 31, 2021 and March 31, 2022. Our audit opinion on the financial statements for the year ended March 31, 2021 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.

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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.

Gyle Willey Davidson

Halifax, Nova Scotia
August 15, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

NORTH END COMMUNITY HEALTH ASSOCIATION

Statement of Financial Position

March 31, 2022

	Unrestricted	Internally Restricted Fund	Externally Restricted	Capital Fund	2022	2021
ASSETS						
CURRENT						
Cash	\$ 1,835,464	\$ -	\$ 34,224	\$ -	\$ 1,869,688	\$ 1,678,901
Short term investments (Note 4)	6,602	358,552	-	-	365,154	362,947
Restricted cash	-	-	22,677	-	22,677	45,317
Accounts receivable (Note 5)	412,779	-	-	-	412,779	247,130
Prepaid expenses	131,021	-	-	-	131,021	59,510
	2,385,866	358,552	56,901	-	2,801,319	2,393,805
CAPITAL ASSETS (Note 6)	-	-	-	2,275,964	2,275,964	1,182,443
	\$ 2,385,866	\$ 358,552	\$ 56,901	\$ 2,275,964	\$ 5,077,283	\$ 3,576,248
LIABILITIES AND NET ASSETS						
CURRENT						
Accounts payable and accrued liabilities	\$ 734,298	\$ -	\$ -	\$ -	\$ 734,298	\$ 352,641
Deferred revenue (Note 8)	1,321,798	-	23,426	-	1,345,224	1,486,043
Amounts held in trust	-	-	12,664	-	12,664	30,986
Due to(from) other funds	(3,038)	(8,581)	8,983	2,636	-	-
	2,053,058	(8,581)	45,073	2,636	2,092,186	1,869,670
DEFERRED CAPITAL CONTRIBUTIONS (Note 9)	-	-	-	2,141,140	2,141,140	1,021,567
	2,053,058	(8,581)	45,073	2,143,776	4,233,326	2,891,237
NET ASSETS	332,808	367,133	11,828	132,188	843,957	685,011
	\$ 2,385,866	\$ 358,552	\$ 56,901	\$ 2,275,964	\$ 5,077,283	\$ 3,576,248

LEASE COMMITMENTS (Note 11) CONTINGENT LIABILITY (Note 12)

ON BEHALF OF THE BOARD

Director

Director

NORTH END COMMUNITY HEALTH ASSOCIATION
Statement of Revenues and Expenditures and Changes in Net Assets
Year Ended March 31, 2022

	Unrestricted	Internally Restricted Fund	Externally Restricted	Capital Fund	2022	2021
REVENUE						
Medical Services Insurance program	\$ 1,256,618	\$ -	\$ -	\$ -	\$ 1,256,618	\$ 1,298,327
Nova Scotia Health Authority	2,075,508	-	-	-	2,075,508	1,828,961
Generated revenue	53,739	-	-	-	53,739	40,746
Rent and recoveries	179,041	-	-	-	179,041	15,790
Grants and program revenue	1,829,224	-	-	-	1,829,224	844,115
Fundraising revenue	369,599	-	-	-	369,599	49,308
Interest and investment income	705	-	(155)	-	550	9,734
Affordable Housing Association of NS	715,912	-	-	-	715,912	695,025
Other income	13,852	-	-	-	13,852	2,936
Amortization of capital grants	-	-	-	28,066	28,066	32,415
	6,494,198	-	(155)	28,066	6,522,109	4,817,357
EXPENDITURES (Schedule 1)						
Direct costs	4,438,856	-	-	-	4,438,856	3,427,744
Indirect costs	1,864,367	-	-	59,940	1,924,307	1,351,194
	6,303,223	-	-	59,940	6,363,163	4,778,938
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	190,975	-	(155)	(31,874)	158,946	38,419
NET ASSETS - BEGINNING OF YEAR	141,833	367,133	11,983	164,062	685,011	646,592
NET ASSETS - END OF YEAR	\$ 332,808	\$ 367,133	\$ 11,828	\$ 132,188	\$ 843,957	\$ 685,011

NORTH END COMMUNITY HEALTH ASSOCIATION
Statement of Cash Flows
Year Ended March 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 158,946	\$ 38,419
Items not affecting cash:		
Amortization of capital assets	59,940	72,826
Amortization of deferred capital grants	<u>(28,066)</u>	<u>(32,415)</u>
	<u>190,820</u>	<u>78,830</u>
Changes in non-cash working capital:		
Accounts receivable	(165,649)	(56,310)
Accounts payable and accrued liabilities	381,658	77,109
Deferred revenue	(140,818)	1,064,933
Prepaid expenses	(71,511)	(46,752)
Amounts held in trust	<u>(18,322)</u>	<u>20,473</u>
	<u>(14,642)</u>	<u>1,059,453</u>
Cash flow from operating activities	<u>176,178</u>	<u>1,138,283</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,153,462)	(954,971)
Deferred capital contributions	<u>1,147,638</u>	<u>954,191</u>
Cash flow used by investing activities	<u>(5,824)</u>	<u>(780)</u>
INCREASE IN CASH FLOW	170,354	1,137,503
Cash - beginning of year	<u>2,087,165</u>	<u>949,662</u>
CASH - END OF YEAR	\$ 2,257,519	\$ 2,087,165
CASH CONSISTS OF:		
Cash	\$ 1,869,688	\$ 1,678,901
Restricted cash	22,677	45,317
Short term investments	<u>365,154</u>	<u>362,947</u>
	<u>\$ 2,257,519</u>	<u>\$ 2,087,165</u>

NORTH END COMMUNITY HEALTH ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2022

1. DESCRIPTION OF THE ASSOCIATION

North End Community Health Association (the "Association") is a not-for-profit organization of Nova Scotia. As a registered charity the Association is exempt from the payment of income tax under Subsection 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 care sector.

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).

Financial instruments

Financial instruments are recorded at fair value when acquired or issued, except for transactions with related parties which are recorded at the exchange amount. 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.

Cash

Cash consists of cash on hand and balances held within Canadian financial institutions, net of any outstanding transactions.

Investments

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

Capital assets

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

Buildings	4%	declining balance method
Computer equipment	55%	declining balance method
Data infrastructure	10 years	straight-line method
Equipment	20%	declining balance method
Leasehold improvements		Straight-line over lease term
Motor vehicles	30%	declining balance method
System software	55%	declining balance method
Telephone	55%	declining balance method

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

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NORTH END COMMUNITY HEALTH ASSOCIATION

Notes to Financial Statements

Year Ended March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

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 the Association received a donation of hand sanitizer with a fair value of \$196,547.

Government assistance

Government assistance for acquiring fixed assets and related to expenses is recorded as deferred government assistance and is amortized on the same basis and according to the same rates as the related fixed assets or to income as eligible expenditures are incurred.

Fund accounting

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

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

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

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NORTH END COMMUNITY HEALTH ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2022

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.

3. 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, short term investments, accounts receivable, accounts payable and amounts held in trust. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2022.

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 or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency 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 floating interest rate bank indebtedness and credit facilities.

NORTH END COMMUNITY HEALTH ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2022

4. SHORT TERM INVESTMENTS

	<u>2022</u>	<u>2021</u>
Credit Union term deposit, bearing interest at 0.1%, maturing April 2, 2022	\$ 6,602	\$ 6,602
Scotiabank GIC, bearing interest at 0.42%, maturing June 4, 2022	105,287	104,561
Scotiabank GIC, bearing interest at 0.58%, maturing September 15, 2022	201,923	200,744
Scotiabank GIC, bearing interest at 0.58%, maturing October 6, 2022	51,342	51,040
	<u>\$ 365,154</u>	<u>\$ 362,947</u>

5. ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 336,459	\$ 141,417
Harmonized sales tax recoverable	76,320	105,713
	<u>\$ 412,779</u>	<u>\$ 247,130</u>

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 786,762	\$ -	\$ 786,762	\$ 457,762
Buildings	1,260,190	-	1,260,190	457,762
Equipment	231,173	142,987	88,186	85,445
Motor vehicles	110,996	86,276	24,720	35,314
Computer equipment	66,662	64,118	2,544	5,655
System software	36,350	35,338	1,012	2,248
Data infrastructure	116,055	58,030	58,025	69,631
Leasehold improvements	96,541	42,660	53,881	67,195
Telephone	21,668	21,024	644	1,431
	<u>\$ 2,726,397</u>	<u>\$ 450,433</u>	<u>\$ 2,275,964</u>	<u>\$ 1,182,443</u>

7. 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, 2022, the balance was nil (2021 - nil).

NORTH END COMMUNITY HEALTH ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2022

8. DEFERRED REVENUE

	2022	2021
Affordable Housing Association of Nova Scotia	\$ 11,338	\$ 34,586
Halifax Regional Municipality	21,095	310,915
Province of Nova Scotia	453,602	702,315
Prepaid rent	12,105	3,310
Restricted donations	-	60,612
MSI funding	33,398	18,033
Other grants	790,260	332,846
Margaret Casey restricted fund	23,426	23,426
	\$ 1,345,224	\$ 1,486,043

9. DEFERRED CAPITAL CONTRIBUTIONS

	2022	2021
Deferred capital contributions	\$ 2,289,576	\$ 1,141,937
Accumulated amortization	(148,436)	(120,370)
	\$ 2,141,140	\$ 1,021,567

10. 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 2022 were \$230,093 (2021 - \$176,182) 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.

11. LEASE COMMITMENTS

The Association has long term leases with respect to its premises and rental properties. The leases contain renewal options and provides for payment of utilities, property taxes and maintenance costs. Future minimum lease payments as at March 31, 2022, are as follows:

2023	\$ 364,083
2024	126,230
2025	126,623
2026	113,295
2027	106,565
Thereafter	44,403
	\$ 881,199

NORTH END COMMUNITY HEALTH ASSOCIATION
Notes to Financial Statements
Year Ended March 31, 2022

12. CONTINGENT LIABILITY

The employees of the Association are permitted to accumulate up to 90 days of sick time. As of March 31, 2022, the employees have accumulated 10,460 hours which amounts \$422,603 (2021 - \$385,671). 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.

13. COMPARATIVE FIGURES

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

14. 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.

NORTH END COMMUNITY HEALTH ASSOCIATION

Schedule of Expenditures

(Schedule 1)

Year Ended March 31, 2022

	Unrestricted	Internally Restricted Fund	Externally Restricted	Capital Fund	2022	2021
DIRECT COSTS						
Salaries and wages	\$ 2,622,218	\$ -	\$ -	\$ -	\$ 2,622,218	\$ 1,998,452
Physician services	871,731	-	-	-	871,731	910,204
Client specific	412,161	-	-	-	412,161	285,059
Other direct costs	172,166	-	-	-	172,166	119,150
Medical supplies	292,026	-	-	-	292,026	54,942
Licensing	52,857	-	-	-	52,857	48,502
Vehicle	15,697	-	-	-	15,697	11,435
	\$ 4,438,856	\$ -	\$ -	\$ -	\$ 4,438,856	\$ 3,427,744
INDIRECT COSTS						
Management salaries	\$ 667,207	\$ -	\$ -	\$ -	\$ 667,207	\$ 668,174
Rental	506,602	-	-	-	506,602	178,906
Professional fees	214,857	-	-	-	214,857	98,243
Office	120,320	-	-	-	120,320	83,050
IT resources	93,920	-	-	-	93,920	90,878
Other indirect costs	84,919	-	-	-	84,919	27,662
Amortization	-	-	-	59,940	59,940	72,826
Utilities and maintenance	55,170	-	-	-	55,170	44,754
Communications	46,493	-	-	-	46,493	33,390
Taxes and insurance	40,640	-	-	-	40,640	20,989
Training and travel	34,239	-	-	-	34,239	32,322
	\$ 1,864,367	\$ -	\$ -	\$ 59,940	\$ 1,924,307	\$ 1,351,194