

**NEO Kids Foundation**

**Financial Statements**

**Year ended March 31, 2022**



## INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of the  
**NEO Kids Foundation**

### *Qualified Opinion*

We have audited the financial statements of the **NEO Kids Foundation** (the "Foundation"), which comprise the statement of financial position as at **March 31, 2022**, and the statements of operations and changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Except as noted in the following paragraph, in our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2022 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Foundation derives revenue from donations and 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2022 and 2021, and current assets and net assets as at March 31, 2022 and 2021. Our independent auditor's report pertaining to the Foundation's financial statements as at and for the year ended March 31, 2021, presented as comparative figures in the accompanying financial statements, included a qualified opinion for the same matter occurring in that year.

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 Foundation in accordance with the 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 opinion.

## INDEPENDENT AUDITOR'S REPORT, continued

### *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 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.

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

Those charged with governance are responsible for overseeing the Foundation'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 Foundation's internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

## INDEPENDENT AUDITOR'S REPORT, continued

- ◆ 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 Foundation'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 Foundation 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.

*Freelandt Caldwell Reilly LLP*

### FREELANDT CALDWELL REILLY LLP

Chartered Professional Accountants  
Licensed Public Accountants

Sudbury, Ontario  
June 23, 2022

**NEO Kids Foundation**  
**Statement of Financial Position**  
**March 31, 2022 with comparative figures for 2021**

	Unrestricted	Restricted	2022	2021
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	\$ 2,385,601	\$ -	\$ 2,385,601	\$ 546,816
Short-term investments (note 3)	-	409,090	409,090	408,068
Accounts receivable (note 9)	114,767	147,293	262,060	418,523
Prepaid expenses	6,648	-	6,648	6,110
	2,507,016	556,383	3,063,399	1,379,517
<b>Donations in-kind (note 8)</b>	69,085	-	69,085	69,085
<b>Long-term investments (note 4)</b>	3,138,399	-	3,138,399	3,021,700
<b>Inter-fund balances</b>	(4,334,158)	4,334,158	-	-
	\$ 1,380,342	\$ 4,890,541	\$ 6,270,883	\$ 4,470,302
<b>Liabilities and Fund Balances</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (note 5)	\$ 76,005	\$ -	\$ 76,005	\$ 89,265
Due to Health Sciences North (note 6)	10,511	266,754	277,265	44,110
Deferred revenue	-	-	-	36,037
	86,516	266,754	353,270	169,412
<b>Fund Balances</b>				
Unrestricted	1,293,826	-	1,293,826	1,114,625
Restricted (note 7)	-	4,623,787	4,623,787	3,186,265
	1,293,826	4,623,787	5,917,613	4,300,890
	\$ 1,380,342	\$ 4,890,541	\$ 6,270,883	\$ 4,470,302

Approved on behalf of the Board of Directors:

Director \_\_\_\_\_ Director \_\_\_\_\_

See accompanying notes to the financial statements

**NEO Kids Foundation**  
**Statement of Operations and Changes in Fund Balances**  
**Year ended March 31, 2022 with comparative figures for 2021**

	Unrestricted	Restricted	2022	2021
<b>Revenues</b>				
Contributions from HSN 50/50 Cash Lottery for the North	\$ -	\$ 1,421,003	\$ 1,421,003	\$ 478,885
Donations and fundraising	364,484	687,335	1,051,819	770,043
Payroll-related grants and subsidies (note 12 (d))	90,627	-	90,627	143,198
	455,111	2,108,338	2,563,449	1,392,126
<b>Expenses</b>				
Wages and benefits	285,445	-	285,445	268,065
Fundraising	42,202	-	42,202	57,319
Technology	32,750	-	32,750	13,572
Professional fees	27,288	-	27,288	38,492
Office and general	6,864	-	6,864	5,703
Bank charges and transaction fees	4,165	1,981	6,146	5,732
	398,714	1,981	400,695	388,883
<b>Excess of revenues over expenses before undernoted items</b>	56,397	2,106,357	2,162,754	1,003,243
Realized gain on investments	81,740	-	81,740	72,429
Interest and dividends	71,910	-	71,910	51,697
Unrealized gain on investments	3,514	-	3,514	502,165
Amortization	-	-	-	(16,839)
Gain on disposal of capital assets	-	-	-	9,016
Investment fees	(34,360)	-	(34,360)	(31,200)
<b>Excess of revenues over expenses before charitable distributions</b>	179,201	2,106,357	2,285,558	1,590,511
Gifts to Health Sciences North (note 6)	-	(660,637)	(660,637)	(158,133)
Charitable programs	-	(8,198)	(8,198)	(6,543)
<b>Excess of revenues over expenses</b>	179,201	1,437,522	1,616,723	1,425,835
Fund balance, beginning of year	1,114,625	3,186,265	4,300,890	2,875,055
Fund balance, end of year	\$ 1,293,826	\$ 4,623,787	\$ 5,917,613	\$ 4,300,890

See accompanying notes to the financial statements

# NEO Kids Foundation

## Cash Flows Statement

Year ended March 31, 2022 with comparative figures for 2021

	2022	2021
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 1,616,723	\$ 1,425,835
Adjustments for non-cash items		
Amortization	-	16,839
Gain on sale of capital assets	-	(9,016)
Gain on sale investments	(81,740)	(72,429)
Unrealized gain on investments	(3,514)	(502,165)
Share donations	-	(136,740)
Stock dividends	(23,479)	-
	1,507,990	722,324
Change in non-cash working capital items		
Accounts receivable	156,463	(367,028)
Prepaid expenses	(538)	1,246
Accounts payable and accrued liabilities	(13,260)	45,256
Deferred revenue	(36,037)	(21,260)
Due to Health Sciences North	233,155	32,606
	1,847,773	413,144
<b>Cash flows from investing activities</b>		
Purchase of investments	(582,741)	(1,248,454)
Proceeds on the sale of investments	573,753	1,221,542
	(8,988)	(26,912)
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	-	(5,000)
	-	(5,000)
<b>Increase in cash</b>	1,838,785	381,232
<b>Cash, beginning of year</b>	546,816	165,584
<b>Cash, end of year</b>	\$ 2,385,601	\$ 546,816

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# **NEO Kids Foundation**

## **Notes to the Financial Statements**

**Year ended March 31, 2022 with comparative figures for 2021**

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### **1. Status and Purpose of the Foundation**

NEO Kids Foundation (the "Foundation"), was established to collect, accumulate and distribute funds on behalf of the NEO Kids and Family Programs at Health Sciences North. The Foundation is a registered charity incorporated without share capital under the laws of the province of Ontario and is exempt from income tax under the Income Tax Act (Canada).

### **2. Significant accounting policies**

These financial statements are prepared in accordance with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principals for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

#### **(a) Basis of presentation**

In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors (the "Board"). To meet these objectives of financial reporting and stewardship over assets, certain inter-fund transfers are necessary to ensure the appropriate allocation of assets and liabilities to the respective funds. Transfers between the funds are made when it is considered appropriate and when appropriately authorized. These inter-fund transfers are recorded in the statement of changes in fund balances.

For financial reporting purposes, the accounts have been classified into the following funds:

The Unrestricted Fund, which accounts for the Foundation's general fundraising, granting and administrative activities. The Unrestricted Fund reports unrestricted resources available for immediate purposes.

The Restricted Fund, which includes those funds where resources are to be used for an identified purpose as specified by the donor, as stipulated by the fundraising appeal or as determined by the Board.



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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2022 with comparative figures for 2021**

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#### **2. Significant accounting policies, continued**

##### **(b) Revenue recognition**

The Foundation follows the restricted fund method of accounting for contributions. Contributions are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the Unrestricted Fund. Restricted contributions are recognized as revenue in their respective restricted fund. Fundraising and event-related revenues are recognized when the underlying event occurs. Government payroll assistance and subsidies are recognized as revenue in the Unrestricted Fund. In-kind contributions of assets are recognized at their fair market value, while contributions of services are not recognized.

Investment income includes dividend and interest income, unrealized and realized gains or losses and investment management fees and related expenses. Investment income earned on the Unrestricted and Restricted Funds are recognized as revenue of the Unrestricted Fund. Investment losses are recorded in a manner consistent with investment income.

##### **(c) Financial instruments**

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless an election is made to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if any indicators of impairment exist. 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 amount or timing of future 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 period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

##### **(d) Cash and cash equivalents**

Cash and cash equivalents consist of cash and highly liquid investments which are readily converted into cash.

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2022 with comparative figures for 2021**

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#### **2. Significant accounting policies, continued**

##### **(e) Capital assets**

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of contribution. The Foundation provides for amortization using the declining balance method at rates designed to amortize the cost of the capital assets over their estimated useful lives.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not contribute to the Foundation's ability to provide goods and services. Any impairment results in a write-down of the asset and an expense in the statement of operations and changes in fund balances. An impairment loss is not reversed if the fair value of the related asset subsequently increases.

##### **(f) Government assistance**

Government assistance received or receivable as a result of the Government of Canada Covid-19 response programs are accounted for as operating grants and are recognized as either revenue or a reduction of the capital cost of the related asset or related expense in the period in which they are earned when there is reasonable assurance that the Foundation has complied and will continue to comply with the conditions associated with the assistance.

##### **(g) Accounting estimates**

The preparation of financial statements in conformity with Part III of the CPA Canada Handbook - Accounting, which sets out generally accepted accounting principals for not-for-profit organizations in Canada, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NEO Kids Foundation**  
**Notes to Financial Statements**  
**Year ended March 31, 2022 with comparative figures for 2021**

**3. Short-term investments**

Short-term investments consist of the following balances:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
High interest savings account	\$ 409,090	\$ 409,090	\$ 408,068	\$ 408,068

**4. Long-term investments**

Long-term investments consist of the following balances:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Canadian equities	\$ 1,021,422	\$ 1,225,914	\$ 972,143	\$ 1,112,443
US equities	756,436	937,816	710,055	896,440
Fixed income securities	1,062,337	974,669	1,039,421	1,012,817
	\$ 2,840,195	\$ 3,138,399	\$ 2,721,619	\$ 3,021,700

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2022 with comparative figures for 2021**

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**5. Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities are government remittances of \$2,962 (2021 - \$7,443).

**6. Due to Health Sciences North**

Health Sciences North is a public hospital and is independent of the Foundation. The Foundation raises funds of behalf of Health Sciences North to support the purchase of equipment, fund operations and support research activities.

Health Sciences North provides a number of services to the Foundation including the provision of accounting services for which the Foundation paid \$3,900 (2021 - \$15,975).

Health Sciences North provides office space and related occupancy costs to the Foundation at no charge.

The Foundation reimbursed Health Sciences North for salaries and benefits of \$36,730 (2021 - \$14,700) associated with Health Sciences North staff working at the Foundation.

At March 31, 2022 the Foundation owed Health Sciences North \$277,265 (2021 - \$44,100). Included in this amount is committed and payable gifts and trade payables of \$266,754 and \$10,511, respectively. These amounts do not bear interest and are due on demand with no scheduled repayments.

During the course of the year, the Foundation gifted \$660,637 (2021 - \$158,133) to Health Sciences North for the purchase of equipment, children's toys, research activities and other purposes.

**NEO Kids Foundation**  
**Notes to Financial Statements**  
**Year ended March 31, 2022 with comparative figures for 2021**

**7. Externally Restricted Funds**

Externally restricted fund balances consist of:

**(a) 2022**

	Balance, beginning of the year	Revenues	Expenses	Transfers/ Other	Balance, end of year
Future capital projects (i)	\$ 2,208,302	\$ 360,970	\$ (88)	\$ 813,538	\$ 3,382,722
Equipment	368,342	271,154	(139,918)	-	499,578
Child Life Specialist (ii)(2)	-	-	(123,750)	495,000	371,250
50/50 (ii)(1)	361,946	1,421,003	(173,070)	(1,463,538)	146,341
Children's Treatment Centre	68,347	29,280	(35,439)	-	62,188
Neonatal Intensive Care Unit	32,758	12,916	(66)	-	45,608
NEO Kids ACU	37,316	7,520	(147)	-	44,689
Pediatric oncology	19,832	3,275	(33)	-	23,074
Rides for Ben	18,457	-	(6,200)	-	12,257
Pediatric Unit	11,019	-	(1,998)	-	9,021
Birthing centre	7,971	900	(24)	-	8,847
Operational costs	6,657	-	-	-	6,657
HSNRI	5,200	-	-	-	5,200
Mental health	4,205	300	-	-	4,505
COVID-19	1,575	-	-	-	1,575
Fellowships	1,000	-	-	-	1,000
Opportunities fund	1,000	-	-	-	1,000
MRI (ii)(2)	34,640	1,020	(190,083)	155,000	577
Voices for Women	(668)	-	-	-	(668)
Bereavement	(1,634)	-	-	-	(1,634)
	<u>\$ 3,186,265</u>	<u>\$ 2,108,338</u>	<u>\$ (670,816)</u>	<u>\$ -</u>	<u>\$ 4,623,787</u>

(i) During the year, the NEO Kids expansion fund was renamed to the future capital projects fund.

**NEO Kids Foundation**  
**Notes to Financial Statements**  
**Year ended March 31, 2022 with comparative figures for 2021**

**7. Externally Restricted Funds (continued)**

(ii) During the year, the following fund transfers took place to align with the strategic priorities of the Foundation:

- (1) \$1,463,538 was transferred from the 50/50 fund to the future capital projects fund; and
- (2) \$650,000 was transferred from the future capital projects fund to the MRI fund of \$155,000 and the Child Life Specialist fund of \$495,000.

**(b) 2021**

	Balance, beginning of the year	Revenues	Expenses	Transfers/ Other	Balance, end of year
NEO Kids expansion	\$ 2,076,367	\$ 131,935	\$ -	\$ -	\$ 2,208,302
Equipment	256,399	111,943	-	-	368,342
50/50	-	478,885	(116,939)	-	361,946
Children's Treatment Centre	55,624	33,355	(20,632)	-	68,347
NEO Kids ACU	31,241	6,075	-	-	37,316
MRI	8,760	25,880	-	-	34,640
Neonatal Intensive Care Unit	38,093	13,855	(19,190)	-	32,758
Pediatric oncology	18,862	970	-	-	19,832
Rides for Ben	-	25,000	(6,543)	-	18,457
Pediatric Unit	6,519	4,500	-	-	11,019
Birthing centre	4,743	4,600	(1,372)	-	7,971
Operational costs	6,657	-	-	-	6,657
HSNRI	5,200	-	-	-	5,200
Mental health	4,205	-	-	-	4,205
COVID-19	-	1,575	-	-	1,575
Fellowships	1,000	-	-	-	1,000
Opportunities fund	1,000	-	-	-	1,000
Voices for Women	(668)	-	-	-	(668)
Bereavement	(1,634)	-	-	-	(1,634)
	<u>\$ 2,512,368</u>	<u>\$ 838,573</u>	<u>\$ (164,676)</u>	<u>\$ -</u>	<u>\$ 3,186,265</u>

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2022 with comparative figures for 2021**

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#### **8. Donations in-kind**

Donations in-kind consists of donated sports memorabilia and collectibles received in a previous year. These assets are held for future use during events, with an eventual plan to sell.

#### **9. Entities with common elements**

The Foundation shares common elements of management with the following entities:

- Health Sciences North Foundation
- The Northern Cancer Foundation
- Health Sciences North Volunteer Association

Each entity is independent of the other, with their own governance structure consisting of a Board of Directors. Management reports directly to each of the Boards with respect to the entity's activities.

During the year, the Foundation received a contribution from Health Sciences North Foundation through the funds raised in the HSN 50/50 Cash Lottery for the North in the amount of \$1,421,003 (2021 - \$478,885). Included in accounts receivable is \$147,293 (2021 - \$362,897) related to this contribution.

#### **10. Credit facilities**

A business credit card with a maximum borrowing limit of \$10,000 is held by the Foundation. At March 31, 2022 a total of \$Nil (2021 - \$687) was borrowed against this facility.

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2022 with comparative figures for 2021**

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#### **11. Healthcare of Ontario Pension Plan**

Substantially all of the employees of the Foundation are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the amounts contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variations between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by participating members. The most recent actuarial valuation of the plan indicates the Plan is fully funded.

Contributions to the plan made during the year by the Foundation on behalf of its employees amounted to \$17,605 (2021 - \$21,506) and are included in the statement of operations.

At December 31, 2021, the HOOPP pension plan had total assets of \$217 billion (2021 - \$192 billion) and an accumulated surplus of \$29 billion (2021 - \$24 billion).



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## NEO Kids Foundation

### Notes to the Financial Statements

Year ended March 31, 2022 with comparative figures for 2021

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#### 12. Financial instruments

The Foundation is exposed to various financial risks through transactions in financial instruments.

##### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge a financial obligation and cause the other party to incur a financial loss. The Foundation is exposed to this risk relating to its cash and cash equivalents, accounts receivable and investments.

The Foundation holds its cash and cash equivalents and investments with a large reputable financial institution in order to minimize risk.

The Foundation is exposed to credit risk in accounts receivable of \$262,060 (2021 - \$418,523) which is mainly comprised of receivables from governments as well as other charitable organizations. The Foundation minimizes this risk through management's ongoing analysis and monitoring of amounts due to the Foundation, and measures its exposure based on how long amounts have been outstanding.

The Foundation is also exposed to credit risk through its investments. The Foundation has developed policies which limit exposure to any one asset, invest through a large reputable institution and regularly monitor investment performance.

There have been no significant changes from the previous year in the exposure to this risk.

##### (b) Liquidity risk

Liquidity risk is the risk that an organization cannot repay its obligations when they have become due to its creditors. The Foundation is exposed to this risk relating to its accounts payable and accrued liabilities and long-term debt. The Foundation reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and maintains an adequate amount of working capital to repay creditors as and when required.

There have been no significant changes from the previous year in the exposure to this risk.

##### (c) Market risk

Market risk is the risk that the fair value of an investment or future cash flows will be impacted by changes in market factors. These factors can be caused by changes in an underlying investment or factors affecting the market as a whole. The Foundation is exposed to market risk associated with certain of its investments. The fair market value of these investments fluctuate over time due to a variety of financial market factors. During the year, the Foundation continued to manage and control its exposure to market risk within its set policy parameters while maximizing investment returns.

There have been no significant changes from the previous year in the exposure to this risk.

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## **NEO Kids Foundation**

### **Notes to the Financial Statements**

**Year ended March 31, 2022 with comparative figures for 2021**

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#### **12. Financial instruments, continued**

##### **(d) Other risks including Covid-19 pandemic**

The Foundation's main sources of revenue are donations, fundraising and investment income. In March 2020, the Covid-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial governments enacting emergency measures to combat the spread of the virus. The Foundation halted in-person activity and closed its office space to staff and the public for a period of time and began delivering fundraising events in a virtual environment based on recommendations from Public Health Ontario. The office space was re-opened in the summer of 2020, with social distancing requirements and Public Health regulations followed.

In response to the adverse impact the pandemic has had on certain revenue streams, the Foundation has undertaken certain cost cutting measures. The Federal government has provided financial relief in the form of the Canada Emergency Wage Subsidy (CEWS) in the amount of \$66,415 (2021 - \$118,549) and the Temporary Wage Subsidy (TWS) in the amount of \$Nil (2021 - \$5,955). These subsidies are considered to be grants and will not be repaid as long as the entity meets certain terms and conditions specified by the government of Canada. These subsidies are subject to audit by the government with adjustments, if any, repayable to the government. Audit adjustments, are recognized in the accounts in the year in which they become known. Management believes that it is currently in compliance with all terms and conditions of the CEWS and TWS programs.

The impact of Covid-19 is expected to negatively impact operations for a duration that cannot be reasonably estimated. The further overall operational and financial impact is highly dependent on the duration of Covid-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers and workforce. Given the daily evolution of the pandemic and the global responses to curb its spread, the Foundation is not able to fully estimate the effects of the pandemic on its results of operations, financial condition, or liquidity at this time.

#### **13. Commitments**

The Board of Directors has committed to Health Sciences North to provide the funds necessary for the wages of the Child Life Specialist for the next two fiscal years, representing \$165,000 per year and for the purchase of the following: two Giraffe Panda Infant Warmers for a total of \$100,000, two Giraffe OmniBed Carestations for a total of \$143,000, and playground equipment and a new surface for the Children's Treatment Centre for a total of \$50,000. They have also committed to provide funding for the Donor Milk Program for the next three fiscal years for a total of \$20,000 per year.

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**NEO Kids Foundation****Notes to the Financial Statements****Year ended March 31, 2022 with comparative figures for 2021**

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**14. Comparative information**

Certain 2021 comparative figures have been reclassified from statements previously presented to conform to the presentation of the 2022 financial statements. The changes do not affect the prior year's reported excess of revenues over expenses.