
PIH PARTNERS IN HEALTH CANADA

FINANCIAL STATEMENTS

JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of PIH Partners In Health Canada,

Opinion

We have audited the financial statements of PIH Partners In Health Canada (the organization), which comprise the statement of financial position as at June 30, 2019, and the statements of operations 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, the accompanying financial statements present fairly, in all material respects, the financial position of PIH Partners In Health Canada as at June 30, 2019 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 Opinion

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 organization 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 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 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT (continued)

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 organization'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 organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw your 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 organization 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.

Pemylegion Chung LLP

Chartered Professional Accountants
Licensed Public Accountants

October 5, 2019
Toronto, Ontario

PIH PARTNERS IN HEALTH CANADA

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

	2019	2018
ASSETS		
Current assets		
Cash	\$ 549,815	\$ 401,691
Guaranteed investment certificate (note 3)	5,528	5,518
Amounts receivable	19,515	975
HST rebate recoverable	14,367	6,668
Prepaid expenses	<u>6,717</u>	<u>8,546</u>
	<u>\$ 595,940</u>	<u>\$ 423,398</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 20,971	\$ 7,037
Deferred contributions (note 4)	<u>47,791</u>	<u>-</u>
	<u>68,762</u>	<u>7,037</u>
Net assets		
Unrestricted	<u>527,178</u>	<u>416,361</u>
	<u>\$ 595,940</u>	<u>\$ 423,398</u>

Approved on behalf of the Board:


_____, Director


_____, Director

see accompanying notes

PIH PARTNERS IN HEALTH CANADA

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
REVENUE		
Contributions		
Individuals and family foundations	\$ 2,154,835	\$ 1,396,936
Institutional foundations and corporations	<u>647,378</u>	<u>622,427</u>
	<u>2,802,213</u>	<u>2,019,363</u>
EXPENSES (note 5)		
Program (note 6)	2,383,918	1,777,327
Development	157,817	170,061
Administration	89,192	61,987
Education	<u>60,469</u>	<u>20,151</u>
	<u>2,691,396</u>	<u>2,029,526</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	110,817	(10,163)
Net assets, beginning of year	<u>416,361</u>	<u>426,524</u>
NET ASSETS, END OF YEAR	<u>\$ 527,178</u>	<u>\$ 416,361</u>

see accompanying notes

PIH PARTNERS IN HEALTH CANADA

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	\$ 110,817	\$ (10,163)
Net change in non-cash working capital items (see below)	<u>37,315</u>	<u>(28,204)</u>
Net cash generated from (used for) operating activities	148,132	(38,367)
INVESTING ACTIVITIES		
Guaranteed investment certificate purchased	<u>(8)</u>	<u>(18)</u>
NET INCREASE (DECREASE) IN CASH FOR THE YEAR	148,124	(38,385)
Cash, beginning of year	<u>401,691</u>	<u>440,076</u>
CASH, END OF YEAR	<u>\$ 549,815</u>	<u>\$ 401,691</u>

Net change in non-cash working capital items:

Decrease (increase) in current assets-		
Amounts receivable	\$ (18,540)	\$ 3,677
HST rebate recoverable	(7,699)	(1,141)
Prepaid expenses	1,829	2,880
Increase (decrease) in current liabilities-		
Accounts payable and accrued liabilities	13,934	(9,970)
Deferred contributions	<u>47,791</u>	<u>(23,650)</u>
	<u>\$ 37,315</u>	<u>\$ (28,204)</u>

see accompanying notes

PIH PARTNERS IN HEALTH CANADA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2019

PIH Partners In Health Canada (the organization) was incorporated without share capital in the Province of Ontario and is continued under the Canada Not-for-profit Corporations Act. The organization is exempt from income tax in Canada as a registered charitable organization under the Income Tax Act (Canada).

PIH Partners In Health Canada works to improve the health of poor and marginalized communities. It is dedicated to making lifesaving health care both a right and a reality is committed to long-term change through a lens of social justice and solidarity with patients and communities it serves around the world.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the preparation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Outlined below are those policies considered particularly significant:

Revenue recognition

The principal sources of revenue and recognition of these revenues for financial statement purposes are as follows:

Contributions

The organization follows the deferral method of revenue recognition for contributions. Externally restricted contributions, including project grants and donor restricted donations, related to current expenses are recognized as revenue in the current year. Externally restricted contributions received in the year for expenses to be incurred in the following year are recorded as deferred contributions. Unrestricted contributions, including donations and amounts received from fundraising, are recorded when received.

Contributed materials and services

Other than contributed portable medical laboratories, contributed materials and services are not recorded in the accounts. Contributed portable medical laboratories are recognized as revenue and as an expense in the same period.

Interest income

Interest income is recognized when earned.

Allocation of expenses

The organization allocates salary and other costs by financial statement expense category. Salary and other allocations are based on actual time spent in an activity (see note 5).

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Exchange gains and losses are included in the statement of operations.

2. FINANCIAL INSTRUMENTS

The organization's financial instruments include cash, a guaranteed investment certificate, amounts receivable, accounts payable and accrued liabilities. Amounts receivable, accounts payable and accrued liabilities are initially recorded at fair value and are subsequently recorded net of any provisions for impairment in value. The guaranteed investment certificate is recorded at cost plus accrued interest.

PIH PARTNERS IN HEALTH CANADA

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JUNE 30, 2019

3. GUARANTEED INVESTMENT CERTIFICATE

The guaranteed investment certificate is issued by a major Canadian chartered bank, bears an interest rate of 0.95%, matures in December 2019 and acts as security for the organization's credit card.

4. DEFERRED CONTRIBUTIONS

Continuity of deferred contributions for the year is as follows:

	2019	2018
Deferred contributions, beginning of year	\$ -	\$ 23,650
Add cash received from grants and donations	2,850,004	1,995,713
Less grant and donation revenue recognized	<u>(2,802,213)</u>	<u>(2,019,363)</u>
Deferred contributions, end of year	<u>\$ 47,791</u>	<u>\$ -</u>

5. EXPENSE ALLOCATIONS

Expenses for 2019 are allocated as follows:

	Program (note 6)	Development	Administration	Education	Total
Program grants	\$ 2,191,123	\$ -	\$ -	\$ -	\$ 2,191,123
Salaries and benefits	172,883	79,979	60,374	53,986	367,222
Office and general	1,229	28,425	13,748	643	44,045
Professional fees	-	35,657	8,259	1,000	44,916
Occupancy costs	5,383	8,727	4,311	4,840	23,261
Travel	<u>13,300</u>	<u>5,029</u>	<u>2,500</u>	<u>-</u>	<u>20,829</u>
Total expenses	<u>\$ 2,383,918</u>	<u>\$ 157,817</u>	<u>\$ 89,192</u>	<u>\$ 60,469</u>	<u>\$ 2,691,396</u>

Expenses for 2018 are allocated as follows:

	Program (note 6)	Development	Administration	Education	Total
Program grants	\$ 1,681,828	\$ -	\$ -	\$ -	\$ 1,681,828
Salaries and benefits	75,389	125,283	35,825	14,726	251,223
Office and general	3,341	18,358	11,691	1,167	34,557
Professional fees	-	13,396	8,757	600	22,753
Occupancy costs	6,925	8,638	3,045	2,901	21,509
Travel	<u>9,844</u>	<u>4,386</u>	<u>2,669</u>	<u>757</u>	<u>17,656</u>
Total expenses	<u>\$ 1,777,327</u>	<u>\$ 170,061</u>	<u>\$ 61,987</u>	<u>\$ 20,151</u>	<u>\$ 2,029,526</u>

PIH PARTNERS IN HEALTH CANADA

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6. TRANSACTIONS WITH RELATED PARTY

The organization is controlled by Partners In Health, a Nonprofit Corporation (PIH), a U.S. 501(c)(3) nonprofit corporation, in that PIH is the sole member of the organization. All transactions between the organization and PIH occurred in the normal course of operations and were recorded at the exchange amount.

PIH carries out specific programming activities for the organization under the terms of agency agreements and memoranda of understanding. During the year the organization paid \$1,370,344 to PIH for such programming activities (\$707,327 for the year ended June 30, 2018). As at June 30, 2019 no amounts were due to or from PIH (\$nil as at June 30, 2018).

7. LEASE COMMITMENTS

The organization leases office space in Toronto, Ontario. Minimum annual payments under the lease, which expires on August 31, 2024, are as follows:

2020	\$	41,062
2021		45,084
2022		47,004
2023		47,388
2024		49,308