

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Financial Statements

Year Ended March 31, 2021

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

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Year Ended March 31, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Sackville Memorial Hospital Foundation Incorporated

Qualified Opinion

We have audited the financial statements of Sackville Memorial Hospital Foundation Incorporated (the Foundation), which comprise the statement of financial position as at March 31, 2021, and the statements of revenues and expenditures, 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 Foundation 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 Foundation derives revenue from donations 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 restricted or unrestricted donations, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2021, current assets and net assets as at 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 Foundation 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 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.

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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.
- 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.



Amherst, Nova Scotia
June 9, 2021

CHARTERED PROFESSIONAL ACCOUNTANTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Financial Position

March 31, 2021

	General Fund 2021	Endowment Fund 2021	Total 2021	Total 2020
ASSETS				
CURRENT				
Cash	\$ 117,504	\$ -	\$ 117,504	\$ 70,400
Short term investments (Note 3)	-	161,996	161,996	135,882
Amounts receivable (Note 4)	8,636	-	8,636	9,534
Prepaid expenses	1,106	-	1,106	1,103
	127,246	161,996	289,242	216,919
HELD IN TRUST (Note 5)	7,479	-	7,479	2,560
INVESTMENTS (Note 3)	-	1,562,830	1,562,830	1,329,960
MORTGAGE RECEIVABLE (Note 6)				
	274,324	-	274,324	281,378
WORKS OF ART	7,334	-	7,334	7,334
DUE BETWEEN FUNDS	1,020,270	(1,020,270)	-	-
	\$ 1,436,653	\$ 704,556	\$ 2,141,209	\$ 1,838,151
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	\$ 6,159	\$ -	\$ 6,159	\$ 15,532
Deferred contributions (Note 7)	63,702	-	63,702	24,329
	69,861	-	69,861	39,861
TRUST LIABILITY (Note 5)	7,479	-	7,479	2,560
	77,340	-	77,340	42,421
NET ASSETS				
General Fund	1,351,979	-	1,351,979	1,084,240
Invested in capital assets	7,334	-	7,334	7,334
Externally restricted net assets	-	27,883	27,883	27,483
Internally restricted (Note 8)	-	676,673	676,673	676,673
	1,359,313	704,556	2,063,869	1,795,730
	\$ 1,436,653	\$ 704,556	\$ 2,141,209	\$ 1,838,151

COMMITMENTS (Note 9)

OTHER SIGNIFICANT EVENTS (Note 10)

ON BEHALF OF THE BOARD

_____ Director _____ Director

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Revenues and Expenditures

Year Ended March 31, 2021

	General Fund 2021	Endowment Fund 2021	Total 2021	Total 2020
REVENUE				
Unrestricted contributions	\$ 30,766	\$ -	\$ 30,766	\$ 39,738
Restricted contributions (Note 7)	-	400	400	219,363
Town of Sackville	20,000	-	20,000	20,000
Investment income	46,970	-	46,970	60,324
Gains on disposal of investments	24,195	-	24,195	28,727
Unrealized gains (losses) on investments (Note 12)	209,224	-	209,224	(79,495)
	<u>331,155</u>	<u>400</u>	<u>331,555</u>	<u>288,657</u>
EXPENSES				
Administrative services	11,434	-	11,434	16,029
Charitable expenditures (Note 11)	23,241	-	23,241	248,911
Communication	1,889	-	1,889	2,069
Consulting fees	-	-	-	9,567
Foundation Focus newsletter	2,920	-	2,920	3,820
Fundraising expenses	7,160	-	7,160	3,113
Interest and bank charges	1,990	-	1,990	2,360
Investment management fees	6,810	-	6,810	7,212
Liability insurance	1,092	-	1,092	1,289
Professional fees	6,880	-	6,880	6,450
	<u>63,416</u>	<u>-</u>	<u>63,416</u>	<u>300,820</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ 267,739	\$ 400	\$ 268,139	\$ (12,163)

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Changes in Net Assets

Year Ended March 31, 2021

	General Fund	Endowment Fund	2021	2020
NET ASSETS - BEGINNING OF YEAR	\$ 1,091,574	\$ 704,156	\$ 1,795,730	\$ 1,807,893
Excess (Deficiency) of revenue over expenses	267,739	400	268,139	(12,163)
NET ASSETS - END OF YEAR	\$ 1,359,313	\$ 704,556	\$ 2,063,869	\$ 1,795,730

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Cash Flows

Year Ended March 31, 2021

	General Fund 2021	Endowment Fund 2021	Total 2021	Total 2020
OPERATING ACTIVITIES				
Cash receipts from donors	\$ 90,847	\$ -	\$ 90,847	\$ 240,108
Cash paid to suppliers	(73,002)	-	(73,002)	(299,765)
Investment income received	32,856	-	32,856	45,883
Interest received on mortgage receivable	14,114	-	14,114	14,440
Cash flow from operating activities	64,815	-	64,815	666
INVESTING ACTIVITIES				
Purchase of investments	(249,403)	(296,961)	(546,364)	(595,064)
Proceeds on disposal of investments	250,702	296,611	547,313	641,171
Decrease (increase) in invested cash	49,584	(75,698)	(26,114)	(33,566)
Repayment received from mortgage receivable	7,054	-	7,054	6,537
Cash flow from (used by) investing activities	57,937	(76,048)	(18,111)	19,078
FINANCING ACTIVITIES				
Endowment fund donations	-	400	400	35
Transfer between funds	(75,648)	75,648	-	-
Cash flow from (used by) financing activities	(75,648)	76,048	400	35
INCREASE IN CASH FLOW	47,104	-	47,104	19,779
Cash - beginning of year	70,400	-	70,400	50,621
CASH - END OF YEAR	\$ 117,504	\$ -	\$ 117,504	\$ 70,400

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

1. DESCRIPTION OF OPERATIONS

The Sackville Memorial Hospital Foundation Inc. is incorporated under the laws of the Province of New Brunswick and its principle activities include receiving donations and bequests that are used to support the Sackville Memorial Hospital and to carry on and support other charitable activities in the area served by the Hospital. The Foundation also operated the Tantramar Community Health Centre until 2018. The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

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 and include the following significant accounting policies:

Revenue recognition and fund accounting

Sackville Memorial Hospital Foundation Incorporated follows the restricted fund method of accounting for contributions, under which method the Foundation has the option of deferring contributions in the General Fund rather than establishing additional restricted funds.

The General Fund recognizes as income unrestricted donations received. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Investment income is recognized in the General Fund when it is earned. Pledges are not recognized as income until the pledge payments are received. Costs incurred in the administration of the Foundation are expensed in this fund.

The Endowment Fund recognizes as income bequests and donations made with restrictions on the principal by the donor. Some investments have been identified for endowment by the board. Income from the Endowment Fund is recognized in the General Fund and used at the discretion of the Board, unless otherwise restricted by the donor.

Restricted investment income from the Rand Memorial Gerontology Education Fund and the R.V. Bennett IV Trust is recognized as revenue of the Endowment Fund when earned.

Financial instruments policy

The Foundation measures its financial assets and financial liabilities at fair value. Changes in fair value are recognized in the statement of revenues and expenditures.

Financial assets measured at fair value include cash, invested cash, amounts receivable, short term investments, restricted cash, and investments.

Financial liabilities measured at fair value include accounts payable.

Cash and cash equivalents

Cash includes cash in bank accounts held for operating purposes. Cash balances in investment accounts and restricted cash are excluded from cash and cash equivalents.

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SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

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

Donated goods

Donated goods are not recognized in the financial statements but are receipted at their fair market value at the time of the donation if fair value can be reasonably estimated. During the year \$4,965 in donated hospital equipment and furniture were receipted. (2020 - \$0).

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Capital assets

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

Works of art	non-amortizable
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The Foundation regularly reviews its capital assets to eliminate obsolete items.

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

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 include the provision for uncollectible accounts and accruals for certain expenses, which 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.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

3. INVESTMENTS

	General Fund	Endowment Fund	2021	2020
Invested cash	\$ -	\$ 161,996	\$ 161,996	\$ 135,882
Short term fixed income	-	-	-	-
Short term investments	-	161,996	161,996	135,882
Long term fixed income	-	681,895	681,895	668,040
Equity	-	880,935	880,935	661,920
Long term investments	-	1,562,830	1,562,830	1,329,960
	\$ -	\$ 1,724,826	\$ 1,724,826	\$ 1,465,842

Fixed income investments have maturity dates between May 2022 and December 2051, and bear interest at rates ranging from 0.50% to 3.69%.

Short term investments in the Endowment Fund include \$16,299 (2020 - \$16,299) restricted for expenditures relating to the Rand Memorial Gerontology Education Fund, and \$7,522 (2020 - \$7,522) held in the R. V. Bennett Trust.

4. AMOUNTS RECEIVABLE

	2021	2020
General fund		
Current portion of mortgage receivable (Note 6)	\$ 6,970	\$ 6,780
HST receivable	1,666	2,754
Allowance for doubtful accounts	-	-
	\$ 8,636	\$ 9,534

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from the mortgagor. In order to reduce credit risk, the Foundation conducts regular reviews of its existing mortgagor's payment history. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

5. HELD IN TRUST

Amounts held in trust of \$7,479 (2020 - \$2,560) in the General Fund represent externally restricted funds held in trust for the Education & Wellness Committee. The Foundation administers these funds on behalf of the Committee.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

6. MORTGAGE RECEIVABLE

	<u>2021</u>	<u>2020</u>
Mortgage receivable bearing interest at 5% per annum, repayable in monthly blended payments of \$1,741. Mortgage matures July, 2023 and is secured by land and building.	\$ 281,294	\$ 288,158
Amounts receivable within one year (Note 4)	<u>(6,970)</u>	<u>(6,780)</u>
	<u>\$ 274,324</u>	<u>\$ 281,378</u>

Principal repayment terms are approximately:

2022	\$ 6,970
2023	7,330
2024	266,994
	<u>\$ 281,294</u>

7. DEFERRED CONTRIBUTIONS

	Opening balance	Contributions received	Recognized as revenue	2021
2020 Annual Appeal	\$ 13,294	\$ 18,811	\$ -	\$ 32,105
2021 Annual Appeal	-	30,462	-	30,462
Give Comfort (Palliative Care)	345	-	-	345
Port Elgin and Region Health Centre - Donations	690	100	-	790
Port Elgin and Region Health Centre - United Way	-	3,090	3,090	-
Town of Sackville	10,000	-	10,000	-
	<u>\$ 24,329</u>	<u>\$ 52,463</u>	<u>\$ 13,090</u>	<u>\$ 63,702</u>

8. INTERNALLY RESTRICTED NET ASSETS

Internally restricted net assets are restricted by Board approval rather than by a contributor. As such, the Board may approve the removal of the restrictions in future.

In the Endowment Funds, \$676,673 was internally endowed by the Board from General Fund contributions.

9. COMMITMENTS

In March 2021 the Foundation launched a fundraising campaign with a goal to raise \$200,000 which will be used to purchase equipment for the Sackville Memorial Hospital Foundation at a cost of \$192,623 plus installation.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

10. OTHER SIGNIFICANT EVENT

1. Subsequent to year end the Foundation implemented a revised investment policy. The implementation included the disposal of all short term and long term fixed income and equity investments held at March 31, 2021 and the purchase of exchange-traded funds (ETFs). The resulting realized gain on disposal was approximately \$328,500.
2. The outbreak of a novel strain of coronavirus continues to have a significant impact on the global economy as of the date of these financial statements. The duration and impact of the pandemic are unknown at this time, as are the efficacy of government and central bank interventions. It is not possible to reliably estimate the length and severity of the measures nor their impact on the future financial results and condition of the company. To date, no adjustments have been made to the carrying value of assets or liabilities as a result of the pandemic. Management is of the opinion no future adjustments will be necessary.

11. CHARITABLE EXPENDITURES

	<u>2021</u>	<u>2020</u>
Expenditures from restricted contributions (<i>Note 7</i>)		
Port Elgin and Region Health Centre - United Way funding	\$ 3,090	\$ -
X-Ray Vision that Delivers	-	228,411
	<u>3,090</u>	<u>228,411</u>
Expenditures from unrestricted contributions		
Port Elgin and Region Health Centre	3,458	-
Staff education	6,000	6,000
Community groups	5,943	10,000
Bursaries	4,500	4,500
Other donations	250	-
	<u>\$ 23,241</u>	<u>\$ 248,911</u>

12. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. To manage these risks, the Foundation has adopted an investment policy that limits its holdings in classes of investments. As at March 31, 2021, the investment policy is in the process of being updated, therefore the Foundation was not in compliance with the policy. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2021.

(a) 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 rate risk, interest rate risk and other price risk. The Foundation is exposed to all three risks on its investment portfolio.

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SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2021

12. FINANCIAL INSTRUMENTS *(continued)*

(b) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Foundation is exposed to foreign currency exchange risk on cash and investments held in U.S. dollars. The Foundation does not use derivative instruments to reduce its exposure to foreign currency risk. Total holdings in US dollars at March 31, expressed in Canadian dollars:

<u>2021</u>	<u>2020</u>
\$ 122,030	\$ 71,738

(c) 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 Foundation manages exposure through its normal investing activities. The Foundation is exposed to interest rate risk primarily through its fixed income investments and mortgage receivable.

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investment in equities.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant other price risks arising from these financial instruments.
