

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Financial Statements

Year Ended March 31, 2022

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

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Year Ended March 31, 2022

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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, 2022, 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, 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 charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. 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 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.

McIsaac Darragh Inc.

Amherst, Nova Scotia
June 13, 2022

CHARTERED PROFESSIONAL ACCOUNTANTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Financial Position

March 31, 2022

	General Fund 2022	Expendable Endowment Fund 2022	Principal Endowment Fund 2022	2022	2021
ASSETS					
CURRENT					
Cash	\$ 170,010	\$ -	\$ -	\$ 170,010	\$ 117,504
Short term investments (Note 3)	75,000	-	14,989	89,989	161,996
Amounts receivable (Note 4)	994	-	7,330	8,324	8,636
Prepaid expenses	1,155	-	-	1,155	1,106
	247,159	-	22,319	269,478	289,242
WORKS OF ART	7,334	-	-	7,334	7,334
HELD IN TRUST (Note 5)	-	-	-	-	7,479
MORTGAGE RECEIVABLE (Note 6)	-	-	266,908	266,908	274,324
LONG TERM INVESTMENTS (Note 3)	-	-	1,881,808	1,881,808	1,562,830
DUE BETWEEN FUNDS	(2,842)	-	2,842	-	-
	\$ 251,651	\$ -	\$ 2,173,877	\$ 2,425,528	\$ 2,141,209

See accompanying notes to financial statements

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Financial Position

March 31, 2022

	General Fund 2022	Expendable Endowment Fund 2022	Principal Endowment Fund 2022	2022	2021
LIABILITIES AND NET ASSETS					
CURRENT					
Accounts payable and accrued liabilities	\$ 143,523	\$ -	\$ -	\$ 143,523	\$ 6,159
Deferred contributions (Note 7)	11,195	-	-	11,195	63,702
	154,718	-	-	154,718	69,861
HELD IN TRUST (Note 5)	-	-	-	-	7,479
	154,718	-	-	154,718	77,340
NET ASSETS					
Unrestricted	96,933	-	-	96,933	1,359,313
Externally restricted for endowment	-	-	40,171	40,171	27,883
Internally restricted for endowment (Note 8)	-	-	2,133,706	2,133,706	676,673
	96,933	-	2,173,877	2,270,810	2,063,869
	\$ 251,651	\$ -	\$ 2,173,877	\$ 2,425,528	\$ 2,141,209

OTHER SIGNIFICANT MATTER (Note 12)

ON BEHALF OF THE BOARD

Director

Director

See accompanying notes to financial statements

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED
Statement of Revenues and Expenditures
Year Ended March 31, 2022

	General Fund 2022	Expendable Endowment Fund 2022	Principal Endowment Fund 2022	2022	2021
REVENUES					
Investment income	\$ 2	\$ 75,242	\$ -	\$ 75,244	\$ 46,970
Restricted contributions	186,797	-	12,288	199,085	400
Unrestricted contributions	95,972	-	-	95,972	30,766
Town of Sackville	20,000	-	-	20,000	20,000
Gain on disposal of investments	-	334,195	-	334,195	24,195
Unrealized gain (loss) on investments	-	(266,357)	-	(266,357)	209,224
	<u>302,771</u>	<u>143,080</u>	<u>12,288</u>	<u>458,139</u>	<u>331,555</u>
EXPENSES					
Administrative services	9,370	-	-	9,370	11,434
Charitable expenditures (Note 9)	221,545	-	-	221,545	23,241
Communication	2,055	-	-	2,055	1,889
Foundation Focus newsletter	4,031	-	-	4,031	2,920
Fundraising expenses	1,125	-	-	1,125	7,160
Interest and bank charges	2,287	-	-	2,287	1,990
Investment management fees	-	-	-	-	6,810
Liability insurance	1,379	-	-	1,379	1,092
Professional fees	9,406	-	-	9,406	6,880
	<u>251,198</u>	<u>-</u>	<u>-</u>	<u>251,198</u>	<u>63,416</u>
EXCESS OF REVENUES OVER EXPENSES	<u>\$ 51,573</u>	<u>\$ 143,080</u>	<u>\$ 12,288</u>	<u>\$ 206,941</u>	<u>\$ 268,139</u>

See accompanying notes to financial statements

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED
Statement of Changes in Net Assets
Year Ended March 31, 2022

	General Fund	Expendable Endowment Fund	Principal Endowment Fund - Externally Restricted for Endowment	Principal Endowment Fund - Internally Restricted for Endowment	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 1,359,313	\$ -	\$ 27,883	\$ 676,673	\$ 2,063,869	\$ 1,795,730
Excess of revenues over expenses	51,573	143,080	12,288	-	206,941	268,139
Transfer of spending allocation <i>(Note 2)</i>	67,200	(67,200)	-	-	-	-
Transfer excess investment income to Principal Endowment Fund <i>(Note 2)</i>	-	(75,880)	-	75,880	-	-
Transfer to Principal Endowment Fund <i>(Note 10)</i>	(1,381,153)	-	-	1,381,153	-	-
NET ASSETS - END OF YEAR	\$ 96,933	\$ -	\$ 40,171	\$ 2,133,706	\$ 2,270,810	\$ 2,063,869

See accompanying notes to financial statements

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Cash Flows

Year Ended March 31, 2022

	General Fund 2022	Expendable Endowment Fund 2022	Principal Endowment Fund 2022	2022	2021
OPERATING ACTIVITIES					
Cash receipts from contributors and government	\$ 249,637	\$ -	\$ -	\$ 249,637	\$ 90,847
Cash paid to suppliers and donees	(113,885)	-	-	(113,885)	(73,002)
Investment income received	2	61,304	-	61,306	32,856
Interest received on mortgage receivable	-	13,938	-	13,938	14,114
Cash flow from operating activities	<u>135,754</u>	<u>75,242</u>	<u>-</u>	<u>210,996</u>	<u>64,815</u>
INVESTING ACTIVITIES					
Purchase of investments	(75,000)	-	(1,873,609)	(1,948,609)	(546,364)
Proceeds on disposal of investments	-	-	1,636,056	1,636,056	547,313
Decrease (increase) in invested cash	-	-	147,007	147,007	(26,114)
Repayment received from mortgage receivable	-	-	7,056	7,056	7,054
Cash flow from (used by) investing activities	<u>(75,000)</u>	<u>-</u>	<u>(83,490)</u>	<u>(158,490)</u>	<u>(18,111)</u>
FINANCING ACTIVITIES					
Endowment fund donations	-	-	-	-	400
Transfers between funds	(8,248)	(75,242)	83,490	-	-
Cash flow from (used by) financing activities	<u>(8,248)</u>	<u>(75,242)</u>	<u>83,490</u>	<u>-</u>	<u>400</u>
INCREASE IN CASH FLOW	52,506	-	-	52,506	47,104
Cash - beginning of year	117,504	-	-	117,504	70,400
CASH - END OF YEAR	<u>\$ 170,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,010</u>	<u>\$ 117,504</u>

See accompanying notes to financial statements

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

1. DESCRIPTION OF OPERATIONS

The Sackville Memorial Hospital Foundation Incorporated is incorporated under the laws of the Province of New Brunswick and its activities include receiving contributions (donations and gifts) that are used to support the Sackville Memorial Hospital and, in the area served by the Hospital, to i) carry on and support other charitable activities that will promote health and ii) advance education by providing bursaries to high school graduates who are enrolled in university or collage programs in a healthcare field. 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:

Changes in accounting policies

During the year, the Foundation adopted an Endowment Fund Accounting Policy, which is described in more detail below. The purpose of the change in policy is to better reflect the Foundation's management of investments to benefit both current and future generations. The significant changes to the financial statements include re-naming the Endowment Fund the Principal Endowment Fund, and creating a new Expendable Endowment Fund, which is the fund in which investment returns are recognized, and the allocation of net assets. Adoption of this accounting policy had no impact on net assets as at April 1, 2020 or revenues and expenditures or cash flows for the year ended March 31, 2021 as previously reported.

Fund accounting

Sackville Memorial Hospital Foundation Incorporated follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Foundation's charitable and administrative activities. This fund reports unrestricted resources and restricted contributions for which no restricted fund exists.

The Expendable Endowment Fund reports the investment returns earned on Principal Endowment Fund investments. At the end of the year, net assets are transferred to the General Fund and to the Principal Endowment Fund in accordance with the Foundation's Spending Allocation and Endowment Fund Accounting policies.

The Principal Endowment Fund reports resources restricted for endowment, either externally by donors or internally by the Board.

Revenue recognition

Externally restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. Until that time, externally restricted contributions are included in deferred revenue on the balance sheet.

Unrestricted contributions related to general operations are recognized as revenue of the General Fund in the year received.

Contributions externally restricted for endowment are recognized as revenue in the Principal Endowment Fund when received.

Unrestricted returns on Principal Endowment Fund resources are recognized as revenue of the Expendable Endowment Fund.

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SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

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

Externally restricted investment returns are recognized as revenue of the General Fund in the year the related expenses are incurred. Until that time, externally restricted income is included in deferred revenue on the balance sheet.

Investment returns on short term investments in the General Fund are recognized as revenue of the General Fund in the year received.

Pledges are not recognized as income until the pledge payments are received.

Endowment spending allocation policy

The Foundation's policy limits the spending allocation to the lower of 4.0% of the market value at the end of the previous fiscal year and the average market value of the previous five fiscal years. At the end of each year the portion allocated for spending is transferred from the Expendable Endowment Fund to the General Fund through net assets. The remaining investment returns are transferred to the Endowment Principal Fund through net assets. In years when the total return is less than the spending allocation, except in the case of an endowment where there are restrictions on the use of the total return, the shortfall is recorded as a decrease to the internally endowed portion of the Principal Endowment Fund.

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.

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 \$0 in donated hospital equipment and furniture were receipted. (2021 - \$4,965).

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.

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SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

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

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.

3. INVESTMENTS

General Fund investments are held in highly liquid money market funds.

Principal Endowment investments are held in a variety of Exchange Traded Funds (ETFs) with both fixed income and equity components.

4. AMOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
General fund		
HST receivable	\$ 994	\$ 1,666
Current portion of mortgage receivable (Note 6)	-	6,970
Allowance for doubtful accounts	-	-
	<u>994</u>	<u>8,636</u>
Principal Endowment Fund		
Current portion of mortgage receivable (Note 6)	<u>7,330</u>	-
	<u>\$ 8,324</u>	<u>\$ 8,636</u>

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 mortgage. 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

In 2021, \$7,479 was held in trust for the Education and Wellness Committee. In 2022, the amounts held in trust were donated to the Foundation for direct administration. The 2021 balance of \$7,479 is included in 2022 restricted contributions revenue.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

6. MORTGAGE RECEIVABLE

	<u>2022</u>	2021
Mortgage receivable bearing interest at 5% per annum, repayable in monthly blended payments of \$1,741. The mortgage matures July, 2023 and is secured by land and building.	\$ 274,238	\$ 281,294
Amounts receivable within one year (Note 4)	<u>(7,330)</u>	<u>(6,970)</u>
	<u>\$ 266,908</u>	\$ 274,324

Principal repayment terms are approximately:

2023	\$ 7,330
2024	<u>266,908</u>
	<u>\$ 274,238</u>

7. DEFERRED CONTRIBUTIONS

	Opening balance	Contributions received	Recognized as revenue	2022
2021 Annual Appeal	\$ 62,567	\$ 116,751	\$ 179,318	\$ -
Give Comfort (Palliative Care)	345	20	-	365
Port Elgin and Region Health Centre	790	40	-	830
Town of Sackville	-	10,000	-	10,000
	<u>\$ 63,702</u>	<u>\$ 126,811</u>	<u>\$ 179,318</u>	<u>\$ 11,195</u>

8. INTERNALLY RESTRICTED NET ASSETS

Net assets that are restricted for endowment by the Board rather than by a contributor may have that restriction removed by the Board in the future.

In the Principal Endowment Fund, \$2,133,706 was internally endowed by the Board from General Fund assets.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2022

9. CHARITABLE EXPENDITURES

	<u>2022</u>	<u>2021</u>
Expenditures from restricted contributions (<i>Note 7</i>)		
2021 Campaign Disbursements	\$ 207,543	\$ -
Port Elgin and Region Health Centre - United Way funding	-	3,090
	<u>207,543</u>	<u>3,090</u>
Expenditures from unrestricted contributions		
Port Elgin and Region Health Centre	-	3,458
Staff education	1,502	6,000
Community groups	3,000	5,943
Bursaries	4,500	4,500
Other donations	5,000	250
	<u>\$ 221,545</u>	<u>\$ 23,241</u>

10. TRANSFERS BETWEEN FUNDS

During the year, the Board authorized the following transfers from the General Fund to the Principal Endowment Fund.

1. \$1,020,270 to clear up the balance due between the General Fund and Endowment Fund at the end of the 2021 fiscal year.
 2. The mortgage receivable and principal repayments received since April 2021, a total of \$281,294, to be in compliance with the investment policy.
 3. An unrestricted bequest of \$79,589 to be added to the internal endowment.
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11. 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, 2022, the Foundation was in compliance with the policy. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2022.

(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, 2022

11. 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>2022</u>	<u>2021</u>
\$ 851,446	\$ 122,030

(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.

12. OTHER SIGNIFICANT MATTER

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.
