

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Financial Statements**

**Year Ended March 31, 2016**

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**  
**Index to Financial Statements**  
**Year Ended March 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

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To the Directors of Sackville Memorial Hospital Foundation Inc.

We have audited the accompanying financial statements of Sackville Memorial Hospital Foundation Inc., which comprise the statement of financial position as at March 31, 2016 and the statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, Sackville Memorial Hospital Foundation Inc. derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Sackville Memorial Hospital Foundation Inc. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2016 and 2015, current assets as at March 31, 2016 and 2015, and net assets as at April 1 and March 31 for both 2016 and 2015. Our audit opinion on the financial statements for the year ended March 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

*(continues)*

Independent Auditor's Report to the Directors of Sackville Memorial Hospital Foundation Inc. *(continued)*

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sackville Memorial Hospital Foundation Inc. as at March 31, 2016 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.

A handwritten signature in blue ink that reads "McIsaac Darragh". The signature is written in a cursive style with a large initial "M".

Amherst, Nova Scotia  
June 8, 2016

CHARTERED ACCOUNTANTS

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Statement of Financial Position**

**March 31, 2016**

	General Fund 2016	Endowment Fund 2016	Total 2016	Total 2015
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 174,479	\$ -	\$ 174,479	\$ 121,593
Short term investments (Note 3)	33,892	36,561	70,453	577,973
Accounts receivable (Note 4)	9,001	-	9,001	11,450
Prepaid expenses	3,943	-	3,943	3,408
	221,315	36,561	257,876	714,424
RESTRICTED CASH (Note 5)	-	23,637	23,637	23,637
LONG TERM INVESTMENTS (Note 3)	578,650	578,708	1,157,358	648,314
LONG TERM RECEIVABLE (Note 6)	6,913	-	6,913	10,520
LAND, BUILDING AND EQUIPMENT (Note 7)	281,659	-	281,659	299,726
DUE BETWEEN FUNDS	(65,031)	65,031	-	-
	\$ 1,023,506	\$ 703,937	\$ 1,727,443	\$ 1,696,621
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 56,485	\$ -	\$ 56,485	\$ 38,703
Deferred donations (Note 8)	64,135	-	64,135	61,922
Unearned rent revenue	-	-	-	2,000
	120,620	-	120,620	102,625
<b>NET ASSETS</b>				
General fund	621,227	-	621,227	593,960
Invested in capital assets	281,659	-	281,659	299,726
Externally restricted net assets	-	27,264	27,264	23,637
Internally restricted net assets	-	676,673	676,673	676,673
	902,886	703,937	1,606,823	1,593,996
	\$ 1,023,506	\$ 703,937	\$ 1,727,443	\$ 1,696,621

COMMITMENTS (Note 9)      CONTRACTUAL OBLIGATIONS (Note 10)

**ON BEHALF OF THE BOARD**

\_\_\_\_\_ Director

\_\_\_\_\_ Director

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Statement of Revenues and Expenditures**

**Year Ended March 31, 2016**

	General Fund 2016	Endowment Fund 2016	Total 2016	Total 2015
<b>REVENUE</b>				
Restricted contributions (Note 8)	\$ 109,111	\$ 3,627	\$ 112,738	\$ 211,023
Unrestricted contributions	31,477	-	31,477	53,895
Government contributions	20,000	-	20,000	20,000
Investment income	34,297	-	34,297	28,554
Gains (losses) on disposal of investments	7,715	-	7,715	-
Unrealized gain (loss) on investments	(39,051)	-	(39,051)	55,264
	<u>163,549</u>	<u>3,627</u>	<u>167,176</u>	<u>368,736</u>
<b>EXPENSES</b>				
Administrative services	7,385	-	7,385	6,388
Charitable expenditures (Note 11)	122,600	-	122,600	221,288
Communication	2,917	-	2,917	6,424
Investment management fees	4,015	-	4,015	-
Foundation Focus newsletter	3,880	-	3,880	4,037
Fundraising expenses	8,058	-	8,058	2,850
Interest and bank charges	2,544	-	2,544	2,587
Liability insurance	1,169	-	1,169	1,147
Office supplies	4,999	-	4,999	85
Professional fees	5,538	-	5,538	6,271
	<u>163,105</u>	<u>-</u>	<u>163,105</u>	<u>251,077</u>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<u>444</u>	<u>3,627</u>	<u>4,071</u>	<u>117,659</u>
<b>TANTRAMAR COMMUNITY HEALTH CENTRE</b>				
Rental income	95,320	-	95,320	93,030
Amortization	(18,067)	-	(18,067)	(18,065)
Insurance	(3,158)	-	(3,158)	(2,781)
Interest and bank charges	(623)	-	(623)	(533)
Miscellaneous	(1,036)	-	(1,036)	(6,654)
Property management	(9,039)	-	(9,039)	(22,365)
Property taxes	(22,369)	-	(22,369)	(28,143)
Repairs and maintenance	(21,460)	-	(21,460)	(6,244)
Utilities	(10,812)	-	(10,812)	(9,621)
	<u>8,756</u>	<u>-</u>	<u>8,756</u>	<u>(1,376)</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 9,200</u>	<u>\$ 3,627</u>	<u>\$ 12,827</u>	<u>\$ 116,283</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2016**

	General Fund	Invested in Capital Assets	Endowment Funds	<b>2016</b>	2015
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 593,960	\$ 299,726	\$ 700,310	<b>\$ 1,593,996</b>	\$ 1,477,713
Excess of revenue over expenses	27,267	(18,067)	3,627	<b>12,827</b>	116,283
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 621,227</b>	<b>\$ 281,659</b>	<b>\$ 703,937</b>	<b>\$ 1,606,823</b>	<b>\$ 1,593,996</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Statement of Cash Flows  
Year Ended March 31, 2016**

	2016	2015
<b>OPERATING ACTIVITIES</b>		
Cash receipts from tenants and donors	\$ 263,450	\$ 247,221
Cash paid to suppliers and employees	(219,995)	(317,169)
Investment income received	36,558	25,549
	<u>80,013</u>	<u>(44,399)</u>
Cash flow from (used by) operating activities		
<b>INVESTING ACTIVITIES</b>		
Purchase of investments	(1,129,512)	(550,000)
Proceeds on disposal of investments	1,144,848	175,676
Increase in investment cash	(42,463)	(23,962)
	<u>(27,127)</u>	<u>(398,286)</u>
Cash flow used by investing activities		
<b>INCREASE (DECREASE) IN CASH FLOW</b>	<b>52,886</b>	<b>(442,685)</b>
Cash - beginning of year	<u>121,593</u>	<u>564,278</u>
<b>CASH - END OF YEAR</b>	<b>\$ 174,479</b>	<b>\$ 121,593</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



# SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

## Notes to Financial Statements

Year Ended March 31, 2016

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### 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 for the Sackville Memorial Hospital, a division of Regional Health Authority B, Province of New Brunswick (RHA - B). The Foundation also operates the Tantramar Community Health Centre. The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

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### 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 Inc. follows the deferral method of accounting for contributions, and follows fund accounting.

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. Rental income is recognized as services are rendered. 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 principle 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, accounts receivable, 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 broker investment accounts, included with short term investments, and restricted cash are excluded from cash and cash equivalents.

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**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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

Donated goods and services

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 goods were receipted. (2015 - \$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.

Land, building and equipment

Land, building and equipment are stated at cost or deemed cost less accumulated amortization. Building and equipment are amortized over their estimated useful lives at the following rates and methods:

Land		non-amortizable
Building	40 years	straight-line method
Equipment	10 years	straight-line method
Works of art		non-amortizable

The Foundation regularly reviews its land, building and equipment to eliminate obsolete items.

Measurement uncertainty

The preparation of financial statements in conformity with 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 providing for amortization of building and equipment, provision for uncollectible accounts and accruals for certain expenses. Actual results could differ from these estimates.

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3. INVESTMENTS

	General Fund	Endowment Fund	2016	2015
Cash	\$ 33,892	\$ 36,561	\$ 70,453	\$ 2,973
Fixed income	308,513	308,513	617,026	565,544
Less: Short term investments	<u>(33,892)</u>	<u>(36,561)</u>	<u>(70,453)</u>	<u>(577,973)</u>
	308,513	308,513	617,026	15,544
Equity	<u>270,137</u>	<u>270,195</u>	<u>540,332</u>	<u>632,770</u>
Total long term investments	<u>\$ 578,650</u>	<u>\$ 578,708</u>	<u>\$ 1,157,358</u>	<u>\$ 648,314</u>

Fixed income investments have maturity dates between April 2017 and December 2045, and bear interest at rates ranging from 1.33% to 4.55%.

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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4. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Tenant receivables	\$ 1,037	\$ 558
HST receivable	3,943	2,958
Current portion of long term receivable (Note 6)	4,021	3,606
Accrued interest	-	4,328
Allowance for doubtful accounts	-	-
Net accounts receivable	<u>9,001</u>	<u>11,450</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 tenants. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. All receivables were either received subsequent to year end, or arrangements have been made for collection.

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5. RESTRICTED CASH

Restricted cash includes \$16,173 cash restricted for expenditures relating to the Rand Memorial Gerontology Education Fund, and \$7,464 cash held in the R. V. Bennett Trust.

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6. LONG TERM RECEIVABLE

Loan to a tenant of \$10,934 (2015 - \$14,126) to finance leasehold improvements (current portion \$4,021, long term portion \$6,913), non-interest bearing, repayable in monthly installments of \$301, maturing in February 2019.

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7. LAND, BUILDING AND EQUIPMENT

	Cost	Accumulated amortization	<b>2016 Net book value</b>	2015 Net book value
Land	\$ 8,567	\$ -	\$ 8,567	\$ 8,567
Building	713,044	448,609	264,435	282,261
Equipment	18,260	16,937	1,323	1,564
Works of art	7,334	-	7,334	7,334
	<u>\$ 747,205</u>	<u>\$ 465,546</u>	<u>\$ 281,659</u>	<u>\$ 299,726</u>

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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8. DEFERRED DONATIONS

	Opening balance	Contributions received	Recognized as revenue	2016
<u>General Fund</u>				
We Care to Make You Better	\$ 16,765	\$ 86,741	\$ 87,637	\$ 15,869
Focus on Patient Care	-	16,833	16,833	-
It's the Way We Operate	12,210	-	4,199	8,011
Let's Not Miss a Beat	-	72	72	-
The More We See	5,207	-	-	5,207
Extra Mural	19,007	5,788	370	24,425
Give Comfort (Palliative Care)	8,438	1,220	-	9,658
Port Elgin Health Centre	295	670	-	965
	<u>\$ 61,922</u>	<u>\$ 111,324</u>	<u>\$ 109,111</u>	<u>\$ 64,135</u>

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9. COMMITMENTS

(a) The Foundation has agreed to fund the purchase of equipment for the Sackville Memorial Hospital at an estimated cost of \$97,000 in the 2017 fiscal year.

(b) The Foundation has committed to an monthly expenditure equal to 10% of gross rental income for property management services, until November 2017.

(c) Subsequent to year end, the Foundation's Board approved an annual expenditure of up to \$20,000 for professional and administrative support services.

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10. CONTRACTUAL OBLIGATIONS

The Foundation, as landlord, has entered into contractual agreements for rental of space in the Tantramar Community Health Centre and has signed leases as follows:

Rental revenue:

2017	\$ 36,900
2018	34,800
2019	18,650
2020	13,800
2021	12,650

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**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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11. CHARITABLE EXPENDITURES

	<u>2016</u>	<u>2015</u>
We Care to Make you Better	\$ 87,637	\$ -
Focus on Patient Care	17,366	-
It's the Way We Operate	4,199	56,774
Extra Mural purchases	370	-
Let's not Miss a Beat	72	134,103
Port Elgin Health Centre	-	2,146
Staff education	6,000	6,000
Non-campaign disbursements	5,000	5,000
Bursaries	1,000	2,000
Donations to Horizon Health	656	14,092
Community groups	300	1,173
	<u>\$ 122,600</u>	<u>\$ 221,288</u>

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12. RECEIPTED DONATIONS

The total value of donation receipts issued during the year was \$111,074 (2015 - \$148,580).

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13. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. To manage these risks, the Foundation had adopted an investment policy that limits its holdings in classes of investments. As at March 31, 2016, the Foundation was not in compliance with the policy. The following analysis provides information about the Foundation's significant risk exposure and concentration as of March 31, 2016.

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.

Currency risk

Currency risk is the risk to the Foundation'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, 2015 was \$16,178 (2015 - \$31,694).

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**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2016**

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13. FINANCIAL INSTRUMENTS *(continued)*

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 investment in fixed income investments.

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.

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