

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

Financial Statements

Year Ended March 31, 2018

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

Index to Financial Statements

Year Ended March 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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, 2018 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 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 Sackville Memorial Hospital Foundation Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2018 and 2017, current assets as at March 31, 2018 and 2017, and net assets as at April 1 and March 31 for both 2018 and 2017. Our audit opinion on the financial statements for the year ended March 31, 2017 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, 2018 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 Danagh". The signature is written in a cursive, flowing style.

Amherst, Nova Scotia
June 13, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

Statement of Financial Position

March 31, 2018

| | General Fund 2018 | Endowment Fund 2018 | Total 2018 | Total 2017 |
|---------------------------------------|-------------------------|---------------------------|---------------------|---------------------|
| ASSETS | | | | |
| CURRENT | | | | |
| Cash | \$ 65,154 | \$ - | \$ 65,154 | \$ 210,372 |
| Short term investments (Note 3) | 96,178 | 90,057 | 186,235 | 97,261 |
| Accounts receivable (Note 4) | 12,556 | - | 12,556 | 14,250 |
| Prepaid expenses | 1,000 | - | 1,000 | 4,458 |
| | 174,888 | 90,057 | 264,945 | 326,341 |
| HELD IN TRUST (Note 5) | 10,722 | - | 10,722 | 4,000 |
| INVESTMENTS (Note 3) | 576,063 | 653,614 | 1,229,677 | 1,230,745 |
| LONG TERM | | | | |
| RECEIVABLE (Note 6) | 291,734 | - | 291,734 | 2,926 |
| LAND, BUILDING AND EQUIPMENT (Note 7) | 7,334 | - | 7,334 | 263,592 |
| DUE BETWEEN FUNDS | 39,734 | (39,734) | - | - |
| | \$ 1,100,475 | \$ 703,937 | \$ 1,804,412 | \$ 1,827,604 |
| LIABILITIES AND NET ASSETS | | | | |
| CURRENT | | | | |
| Accounts payable | \$ 40,272 | \$ - | \$ 40,272 | \$ 54,185 |
| Deferred contributions (Note 8) | 73,963 | - | 73,963 | 88,662 |
| | 114,235 | - | 114,235 | 142,847 |
| TRUST LIABILITY (Note 5) | 10,722 | - | 10,722 | 4,000 |
| | 124,957 | - | 124,957 | 146,847 |
| NET ASSETS | | | | |
| General fund | 968,184 | - | 968,184 | 713,228 |
| Invested in capital assets | 7,334 | - | 7,334 | 263,592 |
| Externally restricted net assets | - | 27,264 | 27,264 | 27,264 |
| Internally restricted (Note 9) | - | 676,673 | 676,673 | 676,673 |
| | 975,518 | 703,937 | 1,679,455 | 1,680,757 |
| | \$ 1,100,475 | \$ 703,937 | \$ 1,804,412 | \$ 1,827,604 |

COMMITMENTS (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, 2018

| | General Fund 2018 | Endowment Fund 2018 | Total 2018 | Total 2017 |
|---|----------------------|---------------------------|-------------------|------------------|
| REVENUE | | | | |
| Restricted contributions (Note 8) | \$ 133,600 | \$ - | \$ 133,600 | \$ 97,856 |
| Unrestricted contributions | 28,921 | - | 28,921 | 29,517 |
| Government contributions | 20,000 | - | 20,000 | 20,000 |
| Interest income | 42,851 | - | 42,851 | 39,749 |
| Gain (loss) on disposal of investments | (9,606) | - | (9,606) | 20,907 |
| Unrealized gain (loss) on investments | (10,215) | - | (10,215) | 22,562 |
| | <u>205,551</u> | <u>-</u> | <u>205,551</u> | <u>230,591</u> |
| EXPENSES | | | | |
| Administrative services | 18,793 | - | 18,793 | 24,534 |
| Charitable expenditures (Note 11) | 176,928 | - | 176,928 | 114,673 |
| Communication | 2,737 | - | 2,737 | 6,015 |
| Foundation Focus newsletter | 5,759 | - | 5,759 | 2,955 |
| Fundraising expenses | 8,943 | - | 8,943 | 8,266 |
| Interest and bank charges | 2,601 | - | 2,601 | 2,375 |
| Investment management fees | 6,645 | - | 6,645 | 6,342 |
| Liability insurance | 1,215 | - | 1,215 | 1,187 |
| Office supplies | 3,139 | - | 3,139 | 1,119 |
| Professional fees | 6,831 | - | 6,831 | 6,770 |
| | <u>233,591</u> | <u>-</u> | <u>233,591</u> | <u>174,236</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS | <u>(28,040)</u> | <u>-</u> | <u>(28,040)</u> | <u>56,355</u> |
| TANTRAMAR COMMUNITY HEALTH CENTRE | | | | |
| Rental income | \$ 76,116 | \$ - | \$ 76,116 | \$ 96,120 |
| Bad debt expense | (3,450) | - | (3,450) | - |
| Insurance | (3,480) | - | (3,480) | (3,783) |
| Interest and bank charges | (406) | - | (406) | (600) |
| Property management | (8,811) | - | (8,811) | (6,319) |
| Property taxes | (21,196) | - | (21,196) | (26,469) |
| Repairs and maintenance | (5,645) | - | (5,645) | (10,781) |
| Utilities | (7,161) | - | (7,161) | (12,522) |
| Amortization | (13,369) | - | (13,369) | (18,067) |
| Gain on sale of Health Centre | 14,140 | - | 14,140 | - |
| | <u>26,738</u> | <u>-</u> | <u>26,738</u> | <u>17,579</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | <u>\$ (1,302)</u> | <u>\$ -</u> | <u>\$ (1,302)</u> | <u>\$ 73,934</u> |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.
Statement of Changes in Net Assets
Year Ended March 31, 2018

| | General Fund | Invested in capital assets | Endowment Fund | 2018 | 2017 |
|---|-------------------|-------------------------------|-------------------|---------------------|---------------------|
| NET ASSETS - BEGINNING OF YEAR | \$ 713,228 | \$ 263,592 | \$ 703,937 | \$ 1,680,757 | \$ 1,606,823 |
| Deficiency of revenue over expenses | (2,073) | 771 | - | (1,302) | 73,934 |
| Transfer of net proceeds on disposal of capital assets <i>(Note 7)</i> | 257,029 | (257,029) | - | - | - |
| NET ASSETS - END OF YEAR | \$ 968,184 | \$ 7,334 | \$ 703,937 | \$ 1,679,455 | \$ 1,680,757 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**Statement of Cash Flows
Year Ended March 31, 2018**

| | General Fund 2018 | Endowment Fund 2018 | Total 2018 | Total 2017 |
|--|----------------------|---------------------------|---------------|---------------|
| OPERATING ACTIVITIES | | | | |
| Cash receipts from donors and tenants | \$ 250,023 | \$ - | \$ 250,023 | \$ 265,133 |
| Cash paid to suppliers | (291,779) | - | (291,779) | (235,903) |
| Investment income received | 39,836 | - | 39,836 | 39,749 |
| Cash flow from operating activities | (1,920) | - | (1,920) | 68,979 |
| INVESTING ACTIVITIES | | | | |
| Purchase of investments | (368,866) | (372,700) | (741,566) | (537,746) |
| Proceeds on disposal of investments | 276,732 | 371,081 | 647,813 | 507,831 |
| Decrease (increase) in invested cash | 2,564 | (16,538) | (13,974) | (3,171) |
| Cash flow used by investing activities | (89,570) | (18,157) | (107,727) | (33,086) |
| FINANCING ACTIVITIES | | | | |
| Transfers between funds | (18,157) | 18,157 | - | - |
| Funds advanced to buyer of Health Centre | (35,571) | - | (35,571) | - |
| Cash flow from (used by) financing activities | (53,728) | 18,157 | (35,571) | - |
| INCREASE (DECREASE) IN CASH FLOW | (145,218) | - | (145,218) | 35,893 |
| Cash - beginning of year | 210,372 | - | 210,372 | 174,479 |
| CASH - END OF YEAR | \$ 65,154 | \$ - | \$ 65,154 | \$ 210,372 |

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2018

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 the Horizon Health Network, Province of New Brunswick. The Foundation also operated the Tantramar Community Health Centre. 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 Inc. follows the restricted fund method of accounting for contributions.

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 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, 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 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, 2018

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 \$0 in donated goods were receipted. (2017 - \$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, buildings and equipment

Land, buildings 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, buildings and equipment to eliminate obsolete items.

Land, buildings and equipment 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 amortization of building and equipment, provision for uncollectible accounts and accruals for certain expenses, 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 INC.

Notes to Financial Statements

Year Ended March 31, 2018

3. INVESTMENTS

| | General Fund | Endowment Fund | 2018 | 2017 |
|-------------------------|-------------------|-------------------|---------------------|---------------------|
| Invested cash | \$ 21,178 | \$ 66,420 | \$ 87,598 | \$ 97,261 |
| Short term fixed income | 75,000 | 23,637 | 98,637 | - |
| Short term investments | 96,178 | 90,057 | 186,235 | 97,261 |
| Long term fixed income | 292,673 | 348,748 | 641,421 | 588,090 |
| Equity | 283,390 | 304,866 | 588,256 | 642,655 |
| Long term investments | 576,063 | 653,614 | 1,229,677 | 1,230,745 |
| | <u>\$ 672,241</u> | <u>\$ 743,671</u> | <u>\$ 1,415,912</u> | <u>\$ 1,328,006</u> |

Fixed income investments have maturity dates between June 2018 and December 2048, and bear interest at rates ranging from 0.75% to 4.65%.

Short term investments in the Endowment Funds include \$16,173 restricted for expenditures relating to the Rand Memorial Gerontology Education Fund, and \$7,464 held in the R. V. Bennett Trust.

4. ACCOUNTS RECEIVABLE

| | 2018 | 2017 |
|--|------------------|------------------|
| General fund | | |
| Tenant receivables | \$ 8,477 | \$ 7,691 |
| HST receivable | 2,894 | 3,102 |
| Current portion of long term receivable (Note 6) | 4,635 | 3,457 |
| Allowance for doubtful accounts | (3,450) | - |
| | <u>\$ 12,556</u> | <u>\$ 14,250</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. In order to reduce credit risk, the Foundation conducts regular reviews of its existing tenants' credit performance. 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 \$10,722 (2016 - \$4,000) in the General Fund represents 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 INC.

Notes to Financial Statements

Year Ended March 31, 2018

6. LONG TERM RECEIVABLE

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-----------------|
| Mortgage receivable bearing interest at 5% per annum, repayable in monthly blended payments of \$1,741, commencing July, 2018. Mortgage matures July, 2023 and is secured by land and building. | \$ 296,369 | \$ - |
| Tenant leasehold improvement loan, non-interest bearing, repayable in monthly installments of \$266. The loan was unsecured and was transferred with the sale of the related building. | - | 6,383 |
| | 296,369 | 6,383 |
| Amounts receivable within one year | <u>(4,635)</u> | <u>(3,457)</u> |
| | \$ 291,734 | \$ 2,926 |

Principal repayment terms are approximately:

| | |
|------|----------|
| 2019 | \$ 4,635 |
| 2020 | 6,450 |
| 2021 | 6,780 |
| 2022 | 7,120 |
| 2023 | 7,480 |

7. LAND, BUILDING AND EQUIPMENT

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|--------------|-----------------|-----------------------------|------------------------------------|---------------------------|
| Land | \$ - | \$ - | \$ - | \$ 8,567 |
| Building | - | - | - | 246,608 |
| Equipment | - | - | - | 1,083 |
| Works of art | 7,334 | - | 7,334 | 7,334 |
| | <u>\$ 7,334</u> | <u>\$ -</u> | <u>\$ 7,334</u> | <u>\$ 263,592</u> |

During the year the Tantrammar Community Health Centre's land, building and equipment were sold. The proceeds, along with funds advanced to the buyer to cover closing costs and renovations to be undertaken by the buyer, plus accrued interest, will be repaid as indicated in Note 6.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2018

8. DEFERRED CONTRIBUTIONS

| | Opening balance | Contributions received | Recognized as revenue | 2018 |
|---|--------------------|---------------------------|--------------------------|------------------|
| We Care to Make You Better | \$ 4,281 | \$ - | \$ 4,281 | \$ - |
| Focus on Patient Care | 14,207 | 1,305 | 15,512 | - |
| Give Our Surgeons Inside Information | 36,661 | 75,411 | 86,491 | 25,581 |
| Good Chemistry | - | 39,980 | - | 39,980 |
| Extra Mural | 22,769 | 1,260 | 16,867 | 7,162 |
| Give Comfort (Palliative Care) | 9,704 | 745 | 10,449 | - |
| Port Elgin Health Centre | 1,040 | 200 | - | 1,240 |
| | \$ 88,662 | \$ 118,901 | \$ 133,600 | \$ 73,963 |

9. 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.

10. COMMITMENTS

The Foundation has agreed to fund the purchases of equipment for the Sackville Memorial Hospital at an estimated cost of \$106,500 in the 2019 fiscal year.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2018

11. CHARITABLE EXPENDITURES

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| Expenditures from restricted contributions <i>(Note 8)</i> | | |
| We Care to Make You Better | \$ 630 | \$ 11,778 |
| Focus on Patient Care | 2,610 | 64,941 |
| Give Our Surgeons Inside Information | 102,882 | - |
| Extra Mural | 16,867 | 7,386 |
| Give Comfort | 10,611 | - |
| The More We See | - | 5,207 |
| It's the Way We Operate | - | 8,011 |
| | <u>133,600</u> | <u>97,323</u> |
| Expenditures from unrestricted contributions | | |
| Bursaries | 4,500 | 2,000 |
| Community groups | 2,878 | 10,000 |
| Donations to Horizon Health | 24,950 | 350 |
| Other donations | 5,000 | 5,000 |
| Staff education | 6,000 | - |
| | <u>6,000</u> | <u>-</u> |
| | <u>\$ 176,928</u> | <u>\$ 114,673</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, 2018, 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, 2018.

(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.

(b) 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, 2018 was \$37,850 (2017 - \$31,430).

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SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

Notes to Financial Statements

Year Ended March 31, 2018

12. FINANCIAL INSTRUMENTS *(continued)*

(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 investment in fixed income investments.

(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.

13. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.
