

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Financial Statements

Year Ended March 31, 2020

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Index to Financial Statements

Year Ended March 31, 2020

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Revenues and Expenditures	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12

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, 2020, 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, 2020, 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 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 the Foundation. 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 year ended March 31, 2020, current assets and net assets as at March 31, 2020. Our audit opinion on the financial statements for the year ended March 31, 2019 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 10, 2020

CHARTERED PROFESSIONAL ACCOUNTANTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Financial Position

March 31, 2020

	General Fund 2020	Endowment Fund 2020	Total 2020	Total 2019
ASSETS				
CURRENT				
Cash	\$ 70,400	\$ -	\$ 70,400	\$ 50,621
Short term investments (Note 3)	49,584	86,295	135,879	152,316
Accounts receivable (Note 4)	9,534	-	9,534	8,685
Prepaid expenses	1,103	-	1,103	1,023
	130,621	86,295	216,916	212,645
HELD IN TRUST (Note 5)	2,560	-	2,560	2,865
INVESTMENTS (Note 3)	577,870	752,090	1,329,960	1,376,837
MORTGAGE RECEIVABLE (Note 6)				
	281,378	-	281,378	288,245
WORKS OF ART	7,334	-	7,334	7,334
DUE BETWEEN FUNDS	134,229	(134,229)	-	-
	\$ 1,133,992	\$ 704,156	\$ 1,838,148	\$ 1,887,926
LIABILITIES AND NET ASSETS				
CURRENT				
Accounts payable	\$ 15,529	\$ -	\$ 15,529	\$ 14,364
Deferred contributions (Note 7)	24,329	-	24,329	62,804
	39,858	-	39,858	77,168
TRUST LIABILITY (Note 5)	2,560	-	2,560	2,865
	42,418	-	42,418	80,033
NET ASSETS				
General fund	1,084,240	-	1,084,240	1,096,438
Invested in capital assets	7,334	-	7,334	7,334
Externally restricted net assets	-	27,483	27,483	27,448
Internally restricted (Note 8)	-	676,673	676,673	676,673
	1,091,574	704,156	1,795,730	1,807,893
	\$ 1,133,992	\$ 704,156	\$ 1,838,148	\$ 1,887,926

SUBSEQUENT EVENT (Note 11)

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, 2020

	General Fund 2020	Endowment Fund 2020	Total 2020	Total 2019
REVENUE				
Restricted contributions (Note 7)	\$ 219,328	\$ 35	\$ 219,363	\$ 104,734
Unrestricted contributions	39,738	-	39,738	33,078
Town of Sackville	20,000	-	20,000	20,000
Investment income	60,324	-	60,324	56,048
Loss on disposal of investments	28,727	-	28,727	(2,325)
Unrealized gains (losses) on investments	(79,495)	-	(79,495)	98,773
	<u>288,622</u>	<u>35</u>	<u>288,657</u>	<u>310,308</u>
EXPENSES				
Administrative services	16,029	-	16,029	17,704
Charitable expenditures (Note 9)	248,911	-	248,911	129,734
Communication	2,069	-	2,069	3,834
Consulting fees	9,567	-	9,567	-
Foundation Focus newsletter	3,820	-	3,820	2,765
Fundraising expenses	3,113	-	3,113	7,476
Interest and bank charges	2,360	-	2,360	2,150
Investment management fees	7,212	-	7,212	6,808
Liability insurance	1,289	-	1,289	1,243
Office supplies	-	-	-	2,559
Professional fees	6,450	-	6,450	7,525
	<u>300,820</u>	<u>-</u>	<u>300,820</u>	<u>181,798</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	(12,198)	35	(12,163)	128,510
TANTRAMAR COMMUNITY HEALTH CENTRE	-	-	-	(72)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (12,198)</u>	<u>\$ 35</u>	<u>\$ (12,163)</u>	<u>\$ 128,438</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Changes in Net Assets

Year Ended March 31, 2020

	General Fund	Endowment Fund	2020	2019
NET ASSETS - BEGINNING OF YEAR	\$ 1,103,772	\$ 704,121	\$ 1,807,893	\$ 1,679,455
Excess (deficiency) of revenue over expenses	<u>(12,198)</u>	<u>35</u>	<u>(12,163)</u>	<u>128,438</u>
NET ASSETS - END OF YEAR	<u>\$ 1,091,574</u>	<u>\$ 704,156</u>	<u>\$ 1,795,730</u>	<u>\$ 1,807,893</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Statement of Cash Flows

Year Ended March 31, 2020

	General Fund 2020	Endowment Fund 2020	Total 2020	Total 2019
OPERATING ACTIVITIES				
Cash receipts from donors	\$ 240,108	\$ -	\$ 240,108	\$ 148,304
Cash paid to suppliers	(299,765)	-	(299,765)	(207,688)
Investment income received	45,883	-	45,883	42,193
Interest received on mortgage receivable	14,440	-	14,440	11,035
Cash flow from operating activities	666	-	666	(6,156)
INVESTING ACTIVITIES				
Endowment fund donations	-	35	35	-
Purchase of investments	(270,644)	(324,420)	(595,064)	(934,608)
Proceeds on disposal of investments	317,801	323,370	641,171	936,314
Increase in invested cash	(13,056)	(20,510)	(33,566)	(14,718)
Cash flow from (used by) investing activities	34,101	(21,525)	12,576	(13,012)
FINANCING ACTIVITIES				
Transfers between funds	(21,525)	21,525	-	-
Repayments received from mortgage receivable	6,537	-	6,537	4,635
Cash flow from (used by) financing activities	(14,988)	21,525	6,537	4,635
INCREASE (DECREASE) IN CASH FLOW	19,779	-	19,779	(14,533)
Cash - beginning of year	50,621	-	50,621	65,154
CASH - END OF YEAR	\$ 70,400	\$ -	\$ 70,400	\$ 50,621

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

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, 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 INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

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. (2019 - \$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, 2020

3. INVESTMENTS

	General Fund	Endowment Fund	2020	2019
Invested cash	\$ 49,584	\$ 86,295	\$ 135,879	\$ 102,316
Short term fixed income	-	-	-	50,000
Short term investments	49,584	86,295	135,879	152,316
Long term fixed income	303,100	364,940	668,040	669,206
Equity	274,770	387,150	661,920	707,631
Long term investments	577,870	752,090	1,329,960	1,376,837
	<u>\$ 627,454</u>	<u>\$ 838,385</u>	<u>\$ 1,465,839</u>	<u>\$ 1,529,153</u>

Fixed income investments have maturity dates between September 2021 and December 2051, and bear interest at rates ranging from 0.75% to 3.69%.

Short term investments in the Endowment Fund include \$16,299 (2019 - \$16,299) restricted for expenditures relating to the Rand Memorial Gerontology Education Fund, and \$7,522 (2019 - \$7,522) held in the R. V. Bennett Trust.

4. ACCOUNTS RECEIVABLE

	2020	2019
General fund		
Current portion of mortgage receivable (Note 6)	\$ 6,780	\$ 6,450
HST receivable	2,754	2,235
Allowance for doubtful accounts	-	-
	<u>\$ 9,534</u>	<u>\$ 8,685</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 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 \$2,560 (2019- \$2,865) 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 INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

6. MORTGAGE RECEIVABLE

	<u>2020</u>	2019
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.	\$ 288,157	\$ 294,695
Amounts receivable within one year (Note 4)	<u>(6,780)</u>	(6,450)
	<u>\$ 281,377</u>	\$ 288,245

Principal repayment terms are approximately:

2021	\$ 6,780
2022	6,970
2023	7,330
2024	<u>267,077</u>
	<u>\$ 288,157</u>

7. DEFERRED CONTRIBUTIONS

	Opening balance	Contributions received	Recognized as revenue	2021
X-ray Vision that Delivers	\$ 61,779	\$ 157,549	\$ 219,328	\$ -
2020 Annual Appeal	-	13,294	-	13,294
Give Comfort (Palliative Care)	335	10	-	345
Port Elgin Health Centre	690	-	-	690
Town of Sackville	-	10,000	-	10,000
	<u>\$ 62,804</u>	<u>\$ 180,853</u>	<u>\$ 219,328</u>	<u>\$ 24,329</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.

SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

9. CHARITABLE EXPENDITURES

	<u>2020</u>	<u>2019</u>
Expenditures from restricted contributions (<i>Note 7</i>)		
Give Our Surgeons Inside Information	\$ -	\$ 8,855
Good Chemistry	-	95,000
Extra Mural	-	80
Port Elgin Health Centre Purchases	-	799
X-Ray Vision that Delivers	228,411	-
	228,411	104,734
Expenditures from unrestricted contributions		
Community groups	10,000	17,000
Staff education	6,000	-
Bursaries	4,500	3,000
Other donations	-	5,000
	\$ 248,911	\$ 129,734

10. 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, 2020, 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, 2020.

(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 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>2020</u>	<u>2019</u>
	\$ 71,738	\$ 48,309

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SACKVILLE MEMORIAL HOSPITAL FOUNDATION INCORPORATED

Notes to Financial Statements

Year Ended March 31, 2020

10. 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 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.

11. SUBSEQUENT EVENTS

The outbreak of a novel strain of coronavirus resulted in the global declaration of a pandemic by the World Health Organization. Government measures in place to combat the health threat of the virus have caused material disruption to businesses globally resulting in an economic slowdown. The duration and impact of the outbreak 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 Foundation.
