

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2017

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of The Charlotte County Hospital Foundation Inc.

Report on the Financial Statements

I have audited the accompanying financial statements of The Charlotte County Hospital Foundation Inc., which comprise the statement of financial position as at December 31, 2017, and the statement of operations, statement of changes in net assets, and statement of 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, The Charlotte County Hospital Foundation Inc. derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of The Charlotte County Hospital Foundation Inc., and I was not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses (expenses over revenue), and cash flows for the years ended December 31, 2017 and December 31, 2016, current assets as at December 31, 2017 and December 31, 2016, and net assets as at January 1 and December 31 for both the 2017 and 2016 years. My audit opinion on the financial statements for the year ended December 31, 2016 was modified accordingly, because of the possible effects of this limitation in scope.



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Qualified Opinion

In my 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 The Charlotte County Hospital Foundation Inc. as at December 31, 2017, 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.

St. Stephen, New Brunswick
June 4, 2018

Chartered Professional Accountant

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Palliative Care Fund	Equipment Fund	Total
REVENUE				
Interest and dividends	\$ 108,714	\$ -	\$ -	\$ 108,714
Loss on sale of investments	(16,753)	-	-	(16,753)
Donations	2,664	977	60,382	64,023
Fundraising - Lottery	3,686	-	-	3,686
Fundraising - Dance	2,272	-	-	2,272
Fundraising - Opera	17,630	-	-	17,630
Grant	8,000	-	-	8,000
	<u>126,213</u>	<u>977</u>	<u>60,382</u>	<u>187,572</u>
EXPENSES				
Horizon Health Network - equipment purchases	49,889	-	39,140	89,029
Continuing education	8,588	-	-	8,588
Donations	-	16	-	16
Fundraising costs	11,400	-	-	11,400
Healthcare plan	44,411	-	-	44,411
Interest and investment fees	24,698	-	-	24,698
Medical student program	2,500	-	-	2,500
Miscellaneous	1,439	510	-	1,949
Office and administration	5,826	-	3,099	8,925
Professional fees	11,426	-	-	11,426
Retirement allowances	1,500	-	-	1,500
Scholarships	3,000	-	-	3,000
	<u>164,677</u>	<u>526</u>	<u>42,239</u>	<u>207,442</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE UNREALIZED GAIN ON INVESTMENTS	(38,464)	451	18,143	(19,870)
UNREALIZED GAIN ON INVESTMENTS	<u>53,063</u>	<u>-</u>	<u>-</u>	<u>53,063</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	<u>\$ 14,599</u>	<u>\$ 451</u>	<u>\$ 18,143</u>	<u>\$ 33,193</u>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Operating Fund	Palliative Care Fund	Equipment Fund	Total
REVENUE				
Interest and dividends	\$ 91,723	\$ -	\$ -	\$ 91,723
Loss on sale of investments	(867)	-	-	(867)
Donations	7,014	893	67,172	75,079
Fundraising - Lottery	<u>4,811</u>	<u>-</u>	<u>-</u>	<u>4,811</u>
	<u>102,681</u>	<u>893</u>	<u>67,172</u>	<u>170,746</u>
EXPENSES				
Horizon Health Network - equipment purchases	7,447	-	106,856	114,303
Continuing education	10,437	-	-	10,437
Donations	100	220	-	320
Fundraising costs	100	-	-	100
Interest and investment fees	16,795	-	-	16,795
Medical student program	5,000	-	-	5,000
Miscellaneous	2,263	1,570	-	3,833
Office and administration	4,888	-	2,342	7,230
Professional fees	12,167	-	-	12,167
Retirement allowances	1,200	-	-	1,200
Scholarships	<u>21,500</u>	<u>-</u>	<u>-</u>	<u>21,500</u>
	<u>81,897</u>	<u>1,790</u>	<u>109,198</u>	<u>192,885</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE UNREALIZED GAIN ON INVESTMENTS	20,784	(897)	(42,026)	(22,139)
UNREALIZED GAIN ON INVESTMENTS	<u>76,254</u>	<u>-</u>	<u>-</u>	<u>76,254</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	<u>\$ 97,038</u>	<u>\$ (897)</u>	<u>\$ (42,026)</u>	<u>\$ 54,115</u>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

ASSETS

	<u>Endowment Fund</u>	<u>Operating Fund</u>	<u>Palliative Care Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
CURRENT					
Cash	\$ -	\$ 71,789	\$ 4,128	\$ 55,431	\$ 131,348
Receivables	-	1,531	-	-	1,531
Pledges receivable	-	-	-	710	710
HST rebate receivable	-	4,346	-	-	4,346
Due from Operating Fund (Note 2)	-	-	2	8,497	8,499
	-	77,666	4,130	64,638	146,434
INVESTMENTS (Note 3)	<u>1,376,261</u>	<u>1,641,037</u>	<u>-</u>	<u>-</u>	<u>3,017,298</u>
	<u>\$ 1,376,261</u>	<u>\$ 1,718,703</u>	<u>\$ 4,130</u>	<u>\$ 64,638</u>	<u>\$ 3,163,732</u>

LIABILITIES

CURRENT					
Payables and accruals	\$ -	\$ 20,262	\$ -	\$ 2,423	\$ 22,685
Due to Palliative Care Fund (Note 2)	-	2	-	-	2
Due to Equipment Fund (Note 2)	-	8,497	-	-	8,497
	-	<u>28,761</u>	-	<u>2,423</u>	<u>31,184</u>

NET ASSETS (Page 7)

ENDOWMENT	1,376,261	-	-	-	1,376,261
UNRESTRICTED	-	1,689,942	-	-	1,689,942
RESTRICTED (Note 1)	-	-	4,130	62,215	66,345
	<u>1,376,261</u>	<u>1,689,942</u>	<u>4,130</u>	<u>62,215</u>	<u>3,132,548</u>
	<u>\$ 1,376,261</u>	<u>\$ 1,718,703</u>	<u>\$ 4,130</u>	<u>\$ 64,638</u>	<u>\$ 3,163,732</u>

COMMITMENTS (Note 5)

APPROVED ON BEHALF OF THE BOARD:

Trustee

Trustee

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

ASSETS

	Endowment Fund	Operating Fund	Palliative Care Fund	Equipment Fund	Total
CURRENT					
Cash	\$ -	\$ 73,659	\$ 3,629	\$ 54,378	\$ 131,666
Receivables	-	2,704	-	-	2,704
Pledges receivable	-	-	-	10,784	10,784
HST rebate receivable	-	2,653	-	-	2,653
Due from Operating Fund (Note 2)	-	-	50	-	50
Due from Equipment Fund (Note 2)	-	359	-	-	359
	-	79,375	3,679	65,162	148,216
INVESTMENTS (Note 3)	<u>1,376,261</u>	<u>1,605,104</u>	<u>-</u>	<u>-</u>	<u>2,981,365</u>
	<u>\$ 1,376,261</u>	<u>\$ 1,684,479</u>	<u>\$ 3,679</u>	<u>\$ 65,162</u>	<u>\$ 3,129,581</u>

LIABILITIES

CURRENT					
Payables and accruals	\$ -	\$ 9,086	\$ -	\$ 20,731	\$ 29,817
Due to Palliative Care Fund (Note 2)	-	50	-	-	50
Due to Operating Fund (Note 2)	-	-	-	359	359
	-	9,136	-	21,090	30,226

NET ASSETS (Page 7)

ENDOWMENT	1,376,261	-	-	-	1,376,261
UNRESTRICTED	-	1,675,343	-	-	1,675,343
RESTRICTED (Note 1)	-	-	3,679	44,072	47,751
	<u>1,376,261</u>	<u>1,675,343</u>	<u>3,679</u>	<u>44,072</u>	<u>3,099,355</u>
	<u>\$ 1,376,261</u>	<u>\$ 1,684,479</u>	<u>\$ 3,679</u>	<u>\$ 65,162</u>	<u>\$ 3,129,581</u>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Endowment Fund</u>	<u>Operating Fund</u>	<u>Palliative Care Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
NET ASSETS, BEGINNING OF YEAR	\$ 1,376,261	\$ 1,675,343	\$ 3,679	\$ 44,072	\$ 3,099,355
Excess of revenue over expenses (expenses over revenue)	<u>-</u>	<u>14,599</u>	<u>451</u>	<u>18,143</u>	<u>33,193</u>
NET ASSETS, END OF YEAR	<u>\$ 1,376,261</u>	<u>\$ 1,689,942</u>	<u>\$ 4,130</u>	<u>\$ 62,215</u>	<u>\$ 3,132,548</u>

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Endowment Fund</u>	<u>Operating Fund</u>	<u>Palliative Care Fund</u>	<u>Equipment Fund</u>	<u>Total</u>
NET ASSETS, BEGINNING OF YEAR	\$ 1,376,261	\$ 1,583,305	\$ 4,576	\$ 81,098	\$ 3,045,240
Interfund transfer (Note 4)	-	(5,000)	-	5,000	-
Excess of revenue over expenses (expenses over revenue)	<u>-</u>	<u>97,038</u>	<u>(897)</u>	<u>(42,026)</u>	<u>54,115</u>
NET ASSETS, END OF YEAR	<u>\$ 1,376,261</u>	<u>\$ 1,675,343</u>	<u>\$ 3,679</u>	<u>\$ 44,072</u>	<u>\$ 3,099,355</u>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>2017</u>	<u>2016</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 33,193	\$ 54,115
Loss on sale of investments	16,753	867
Unrealized gain on investments	<u>(53,063)</u>	<u>(76,254)</u>
	<u>(3,117)</u>	<u>(21,272)</u>
 CHANGES IN NON-CASH WORKING CAPITAL		
Decrease in payables and accruals	(7,132)	(26,099)
Decrease (increase) in receivables	<u>9,554</u>	<u>(13,157)</u>
	<u>2,422</u>	<u>(39,256)</u>
	<u>(695)</u>	<u>(60,528)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	753,818	1,499,431
Purchase of investments	<u>(753,441)</u>	<u>(1,511,690)</u>
	<u>377</u>	<u>(12,259)</u>
 DECREASE IN CASH AND CASH EQUIVALENTS	(318)	(72,787)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>131,666</u>	<u>204,453</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 131,348</u>	<u>\$ 131,666</u>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

STATUS AND PURPOSE OF THE ORGANIZATION

The Foundation is a not-for-profit registered public foundation under the *Income Tax Act*, incorporated without share capital. The Foundation's main purpose is to provide funds for the charitable benefit of the Horizon Health Network and in particular, the Charlotte County Hospital in St. Stephen, New Brunswick.

1. SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting, and include the following significant accounting policies:

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Foundation's program delivery and administrative activities.

The Palliative Care Fund reports the externally restricted resources that are to be used for the Palliative Care Unit of the Charlotte County Hospital.

The Equipment Fund reports the externally restricted resources to be used for the purchase of specified equipment for the Charlotte County Hospital.

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the Operating Fund.

Revenue Recognition

Restricted contributions specified for the Palliative Care Unit of the Charlotte County Hospital or the Equipment Fund are recognized as revenues of the applicable fund in the year in which the revenues are realized.

Pledges receivable are recognized as revenues when a written commitment from the donor is received, the amount to be received can be reasonably estimated, and collection is reasonably assured.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as revenue in the Endowment Fund.

Lottery revenue and other revenue is recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income, which includes dividends, interest, and realized and unrealized gains and losses, is recognized as revenue of the Operating Fund in the statement of operations when earned.

Contributed Services

Volunteers (e.g., members of the board of trustees) contribute many hours of service in assisting the Foundation with carrying out its charitable work. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

1. SUMMARY OF ACCOUNTING POLICIES (continued)

Contributed Materials

Donated items are recognized at fair value when fair value can be reasonably estimated and the donated items will be used in the normal course of the Foundation's operations.

Capital Assets

Expenditures for capital assets are expensed on acquisition.

Financial Instruments

Financial instruments are comprised of cash and cash equivalents, receivables, investments, and payables and accruals. The Foundation initially measures all financial assets and financial liabilities at fair value, and subsequently measures all financial assets and financial liabilities at amortized cost, except for investments quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets measured at amortized cost include cash and receivables.

Financial liabilities measured at amortized cost include payables and accruals.

The Foundation's financial assets measured at fair value include all investments, including fixed income and equity instruments. The fair value of these investments has been measured using the quoted market values provided by the brokerage firms holding the investments.

Use of Estimates

The preparation of financial statements in accordance 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates; any adjustments are recorded in the year they become known.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

2. DUE TO/FROM FUNDS

Balances due to/from other funds are non-interest bearing and have no set terms of repayment.

3. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Fixed income	\$ 1,654,926	\$ 1,706,165
Equity	<u>1,362,372</u>	<u>1,275,200</u>
	<u>\$ 3,017,298</u>	<u>\$ 2,981,365</u>

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

4. INTERFUND TRANSFERS

During 2016, \$5,000 was transferred from the Operating Fund to the Equipment Fund to cover the excess cost of equipment purchases.

5. COMMITMENTS

During the year, the Foundation committed to fund the purchase of additional equipment from the Equipment Fund with a cost of approximately \$50,000; as the equipment was not received until 2018, the expenditure has not been recognized as an expense for the year ended December 31, 2017.

6. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments.

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 in connection with receivables and the maximum exposure to credit risk is the carrying value of receivables. The Foundation's revenues are derived from a wide variety of sources, which minimizes concentration of credit risk.

Interest Rate Risk

The Foundation is exposed to interest rate risk on its investment portfolio. The Foundation does not use derivative financial instruments to alter the effects of this risk. To manage these risks, the Foundation has a formal investment policy, which restricts the types and amounts of eligible investments. The policy objectives are to achieve and maintain over the long term a rate of return of at least 4%, and to maintain the value of the capital base. The Foundation's investment guidelines are as follows:

- Cash and cash equivalents comprise 0-10% of the portfolio value, and must have a rating of at least R1 based on the Dominion Bond Rating Service (DBRS).
- Fixed income investments comprise 45-70% of the portfolio value, with no more than 10% with any issuer unless fully guaranteed by the Government of Canada or a province of Canada having a AA credit rating or better, no more than 30% with a BBB DBRS rating, and no more than 50% with an A DBRS rating.
- Equity investments, which must be investments that are publicly traded on a major stock exchange or mutual funds, comprise 25-45% of the portfolio value, with 15-35% in Canadian investments and 10-30% invested in global markets.

Currency Risk

It is management's opinion that the Foundation is not exposed to significant foreign currency risk.

Liquidity Risk

Liquidity risk is the risk that the Foundation may not be able to meet cash requirements and fund obligations as they become due. The Foundation has a plan in place to meet current and future obligations as they come due, primarily with cash flows from operations.