

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

DECEMBER 31, 2018

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Operations	3 - 4
Statement of Financial Position	5 - 6
Statement of Changes in Net Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 12



L K TOOMBS CPA & ASSOCIATES P.C. INC.

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

I have audited the accompanying financial statements of The Charlotte County Hospital Foundation Inc. (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of changes in net assets, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fundraising, 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, 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 from operations for the years ended December 31, 2018 and December 31, 2017, current assets as at December 31, 2018 and December 31, 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. My audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly, because of the possible effects of this limitation in scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Foundation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 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.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or to error, and to issue an auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

St. Stephen, New Brunswick
May 27, 2019

Chartered Professional Accountant

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

	Operating Fund	Palliative Care Fund	Equipment Fund	Total
REVENUE				
Interest and dividends	\$ 100,044	\$ -	\$ -	\$ 100,044
Loss on sale of investments	(5,293)	-	-	(5,293)
Donations	10,111	4,646	54,808	69,565
Fundraising - Lottery	3,037	-	-	3,037
Grants	-	-	8,000	8,000
	<u>107,899</u>	<u>4,646</u>	<u>62,808</u>	<u>175,353</u>
EXPENSES				
Horizon Health Network - equipment purchases	32,843	4,040	77,416	114,299
Continuing education	9,792	-	-	9,792
Donations	-	166	-	166
Healthcare plan	21,486	-	-	21,486
Interest and investment fees	23,960	-	-	23,960
Medical student program	2,500	-	-	2,500
Miscellaneous	6,866	792	-	7,658
Office and administration	6,191	-	2,642	8,833
Professional fees	11,659	-	-	11,659
Retirement allowances	900	-	-	900
Scholarships	10,000	-	-	10,000
	<u>126,197</u>	<u>4,998</u>	<u>80,058</u>	<u>211,253</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE) BEFORE UNREALIZED LOSS ON INVESTMENTS	(18,298)	(352)	(17,250)	(35,900)
UNREALIZED LOSS ON INVESTMENTS	<u>(153,999)</u>	<u>-</u>	<u>-</u>	<u>(153,999)</u>
EXCESS OF REVENUE OVER EXPENSES (EXPENSES OVER REVENUE)	<u>\$ (172,297)</u>	<u>\$ (352)</u>	<u>\$ (17,250)</u>	<u>\$ (189,899)</u>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating <u>Fund</u>	Palliative Care <u>Fund</u>	Equipment <u>Fund</u>	<u>Total</u>
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
Grants	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>8,000</u>
	<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	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
	<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 FINANCIAL POSITION

AS AT DECEMBER 31, 2018

ASSETS

	Endowment Fund	Operating Fund	Palliative Care Fund	Equipment Fund	Total
CURRENT					
Cash	\$ -	\$ 88,838	\$ 6,317	\$ 35,787	\$ 130,942
Receivables	-	775	-	3,000	3,775
Pledges and bequests receivable	-	7,152	-	19,402	26,554
HST rebate receivable	-	1,833	-	-	1,833
Due from Operating Fund (Note 3)	-	-	-	6,126	6,126
	-	98,598	6,317	64,315	169,230
INVESTMENTS (Note 4)	<u>1,376,261</u>	<u>1,439,523</u>	<u>-</u>	<u>-</u>	<u>2,815,784</u>
	<u>\$ 1,376,261</u>	<u>\$ 1,538,121</u>	<u>\$ 6,317</u>	<u>\$ 64,315</u>	<u>\$ 2,985,014</u>

LIABILITIES

CURRENT					
Payables and accruals	\$ -	\$ 14,350	\$ 2,539	\$ 19,350	\$ 36,239
Due to Equipment Fund (Note 3)	-	6,126	-	-	6,126
	-	20,476	2,539	19,350	42,365

NET ASSETS (Page 7)

ENDOWMENT	1,376,261	-	-	-	1,376,261
UNRESTRICTED	-	1,517,645	-	-	1,517,645
RESTRICTED (Note 1)	-	-	3,778	44,965	48,743
	<u>1,376,261</u>	<u>1,517,645</u>	<u>3,778</u>	<u>44,965</u>	<u>2,942,649</u>
	<u>\$ 1,376,261</u>	<u>\$ 1,538,121</u>	<u>\$ 6,317</u>	<u>\$ 64,315</u>	<u>\$ 2,985,014</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, 2017

ASSETS

	Endowment Fund	Operating Fund	Palliative Care Fund	Equipment Fund	Total
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 3)	-	-	2	8,497	8,499
	-	77,666	4,130	64,638	146,434
INVESTMENTS (Note 4)	<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 3)	-	2	-	-	2
Due to Equipment Fund (Note 3)	-	8,497	-	-	8,497
	<u>-</u>	<u>28,761</u>	<u>-</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>

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, 2018

	<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	\$ 1,689,942	\$ 4,130	\$ 62,215	\$ 3,132,548
Excess of revenue over expenses (expenses over revenue)	<u>-</u>	<u>(172,297)</u>	<u>(352)</u>	<u>(17,250)</u>	<u>(189,899)</u>
NET ASSETS, END OF YEAR	<u>\$ 1,376,261</u>	<u>\$ 1,517,645</u>	<u>\$ 3,778</u>	<u>\$ 44,965</u>	<u>\$ 2,942,649</u>

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>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u>	<u>2017</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of (expenses over revenue) revenue over expenses	\$ (189,899)	\$ 33,193
Loss on sale of investments	5,293	16,753
Unrealized loss (gain) on investments	<u>153,999</u>	<u>(53,063)</u>
	<u>(30,607)</u>	<u>(3,117)</u>
 CHANGES IN NON-CASH WORKING CAPITAL		
Increase (decrease) in payables and accruals	13,554	(7,132)
(Increase) decrease in receivables	<u>(25,575)</u>	<u>9,554</u>
	<u>(12,021)</u>	<u>2,422</u>
	<u>(42,628)</u>	<u>(695)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investments	771,138	753,818
Purchase of investments	<u>(728,916)</u>	<u>(753,441)</u>
	<u>42,222</u>	<u>377</u>
 DECREASE IN CASH AND CASH EQUIVALENTS	(406)	(318)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>131,348</u>	<u>131,666</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 130,942</u>	<u>\$ 131,348</u>

See accompanying notes to the financial statements.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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 the amount to be collected can be reasonably estimated and collection is reasonably assured. Included in donations revenue of the Equipment Fund are pledges totaling \$19,402 (2017: \$710), and included in donations revenue of the Operating Fund is a bequest receivable of \$7,152 (2017: \$0).

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.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SUMMARY OF ACCOUNTING POLICIES (continued)

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.

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. Such estimates include the realizable value of pledges and bequests receivable, and accrued liabilities. 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.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. CHANGE IN ACCOUNTING POLICY

The Foundation changed its accounting policy for the treatment of pledges receivable to remove the requirement that pledges be in writing. Given the Foundation has held an annual fundraising campaign in the form of a radiothon for five years, the Foundation decided there was sufficient history to provide a reasonable basis for estimating the realizable value of pledges, and therefore, the requirement that pledges be in writing to be recognized was no longer considered necessary. The policy change was made so that the financial results of the annual fundraising campaign would be more fairly reflected in the year the radiothon was held, and resulted in recognizing pledges receivable for 2018 of \$19,402. The change in accounting policy had no impact on prior year amounts.

3. DUE TO/FROM FUNDS

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

4. INVESTMENTS

	<u>2018</u>	<u>2017</u>
Fixed income	\$ 1,606,234	\$ 1,654,926
Equity	<u>1,209,550</u>	<u>1,362,372</u>
	<u>\$ 2,815,784</u>	<u>\$ 3,017,298</u>

5. COMMITMENTS

During the year, the Foundation committed to fund the purchase of additional equipment with a total cost of approximately \$50,000, of which approximately \$48,000 will be funded from the Equipment Fund, and approximately \$2,000 from the Palliative Fund. As the equipment was not received at December 31, 2018, the expenses have not been recognized for the year ended December 31, 2018.

THE CHARLOTTE COUNTY HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2018

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.