

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Financial Statements**

**Year Ended March 31, 2017**

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**  
**Index to Financial Statements**  
**Year Ended March 31, 2017**

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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, 2017 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 contributions, 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 contribution revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2017 and 2016, and net assets as at April 1 and March 31 for both 2017 and 2016. Our audit opinion on the financial statements for the year ended March 31, 2016 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, 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.

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

Amherst, Nova Scotia  
June 14, 2017

CHARTERED PROFESSIONAL ACCOUNTANTS

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Statement of Financial Position**

**March 31, 2017**

	General Fund 2017	Endowment Fund 2017	Total 2017	Total 2016
<b>ASSETS</b>				
<b>CURRENT</b>				
Cash	\$ 214,372	\$ -	\$ 214,372	\$ 174,479
Invested cash	23,742	49,882	73,624	70,453
Accounts receivable (Note 3)	14,250	-	14,250	9,001
Prepaid expenses	4,458	-	4,458	3,943
	256,822	49,882	306,704	257,876
RESTRICTED CASH (Note 4)	-	23,637	23,637	23,637
INVESTMENTS (Note 5)	562,230	668,515	1,230,745	1,157,358
<b>LONG TERM</b>				
RECEIVABLE (Note 6)	2,926	-	2,926	6,913
LAND, BUILDING AND EQUIPMENT (Note 7)	263,592	-	263,592	281,659
DUE BETWEEN FUNDS	38,097	(38,097)	-	-
	\$ 1,123,667	\$ 703,937	\$ 1,827,604	\$ 1,727,443
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT</b>				
Accounts payable and accrued liabilities	\$ 54,185	\$ -	\$ 54,185	\$ 56,485
Deferred donations (Note 8)	92,662	-	92,662	64,135
	146,847	-	146,847	120,620
<b>NET ASSETS</b>				
General fund	713,228	-	713,228	621,227
Invested in capital assets	263,592	-	263,592	281,659
Externally restricted net assets	-	27,264	27,264	27,264
Internally restricted net assets	-	676,673	676,673	676,673
	976,820	703,937	1,680,757	1,606,823
	\$ 1,123,667	\$ 703,937	\$ 1,827,604	\$ 1,727,443

COMMITMENTS (Note 9)

**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, 2017**

	General Fund 2017	Endowment Fund 2017	Total 2017	Total 2016
<b>REVENUE</b>				
Restricted contributions	\$ 97,856	\$ -	\$ 97,856	\$ 112,738
Unrestricted contributions	29,517	-	29,517	31,477
Government contributions	20,000	-	20,000	20,000
Investment income	39,749	-	39,749	34,297
Gain on disposals of investments	20,907	-	20,907	7,715
Unrealized gain (loss) on investments	22,562	-	22,562	(39,051)
	<u>230,591</u>	<u>-</u>	<u>230,591</u>	<u>167,176</u>
<b>EXPENSES</b>				
Administrative services	24,534	-	24,534	7,385
Charitable expenditures (Note 10)	114,673	-	114,673	122,600
Communication	7,338	-	7,338	2,917
Foundation Focus newsletter	2,955	-	2,955	3,880
Fundraising expenses	6,943	-	6,943	8,058
Interest and bank charges	2,375	-	2,375	2,544
Investment management fees	6,342	-	6,342	4,015
Liability insurance	1,187	-	1,187	1,169
Office supplies	1,119	-	1,119	4,999
Professional fees	6,770	-	6,770	5,538
	<u>174,236</u>	<u>-</u>	<u>174,236</u>	<u>163,105</u>
<b>EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS</b>	<u>56,355</u>	<u>-</u>	<u>56,355</u>	<u>4,071</u>
<b>TANTRAMAR COMMUNITY HEALTH CENTRE</b>				
Rental income	96,120	-	96,120	95,320
Amortization	(18,067)	-	(18,067)	(18,067)
Insurance	(3,783)	-	(3,783)	(3,158)
Interest and bank charges	(600)	-	(600)	(623)
Miscellaneous	(1,220)	-	(1,220)	(1,036)
Property management	(6,319)	-	(6,319)	(9,039)
Property taxes	(26,469)	-	(26,469)	(22,369)
Repairs and maintenance	(9,561)	-	(9,561)	(21,460)
Utilities	(12,522)	-	(12,522)	(10,812)
	<u>17,579</u>	<u>-</u>	<u>17,579</u>	<u>8,756</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<u>\$ 73,934</u>	<u>\$ -</u>	<u>\$ 73,934</u>	<u>\$ 12,827</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**  
**Statement of Changes in Net Assets**  
**Year Ended March 31, 2017**

	General Fund	Invested in Capital Assets	Restricted Endowment Fund	2017	2016
<b>NET ASSETS - BEGINNING OF YEAR</b>	\$ 621,227	\$ 281,659	\$ 703,937	<b>\$ 1,606,823</b>	\$ 1,593,996
Excess of revenue over expenses	92,001	(18,067)	-	<b>73,934</b>	12,827
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 713,228</b>	<b>\$ 263,592</b>	<b>\$ 703,937</b>	<b>\$ 1,680,757</b>	<b>\$ 1,606,823</b>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.****Statement of Cash Flows  
Year Ended March 31, 2017**

	General Fund 2017	Endowment Fund 2017	Total 2017	Total 2016
<b>OPERATING ACTIVITIES</b>				
Cash receipts from donors and tenants	\$ 270,758	\$ -	\$ 269,133	\$ 263,450
Cash paid to suppliers	(237,528)	-	(235,903)	(219,995)
Investment income received	39,749	-	39,749	36,558
Cash flow from operating activities	72,979	-	72,979	80,013
<b>INVESTING ACTIVITIES</b>				
Purchase of investments	(268,904)	(268,842)	(537,746)	(1,129,512)
Proceeds on disposal of investments	253,888	253,943	507,831	1,144,848
Decrease (increase) in invested cash	10,150	(13,321)	(3,171)	(42,463)
Cash flow used by investing activities	(4,866)	(28,220)	(33,086)	(27,127)
<b>FINANCING ACTIVITY</b>				
Transfers between funds	(28,220)	28,220	-	-
Cash flow from (used by) financing activity	(28,220)	28,220	-	-
<b>INCREASE IN CASH FLOW</b>	39,893	-	39,893	52,886
Cash - beginning of year	174,479	-	174,479	121,593
<b>CASH - END OF YEAR</b>	\$ 214,372	\$ -	\$ 214,372	\$ 174,479

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS



# SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.

## Notes to Financial Statements

Year Ended March 31, 2017

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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 the Horizon Health Network, Province of New Brunswick. 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 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 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, 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, 2017**

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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. (2016 - \$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.

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**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2017**

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3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
<b>General fund</b>		
Tenant receivables	\$ 7,691	\$ 1,037
HST receivable	3,102	3,943
Current portion of long term receivable (Note 6)	3,457	4,021
Allowance for doubtful accounts	-	-
	<u>\$ 14,250</u>	<u>\$ 9,001</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.

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4. 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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5. INVESTMENTS

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>2017</u>	<u>2016</u>
Fixed income	\$ 294,045	\$ 294,045	\$ 588,090	\$ 617,026
Equity	268,185	374,470	642,655	540,332
	<u>\$ 562,230</u>	<u>\$ 668,515</u>	<u>\$ 1,230,745</u>	<u>\$ 1,157,358</u>

Fixed income investments have maturity dates between December 2018 and December 2046, and bear interest at rates ranging from 1.25% to 4.55%.

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6. LONG TERM RECEIVABLE

Loan to a tenant of \$6,383 (2016 - \$10,934) to finance leasehold improvements (current portion \$3,457, long term portion \$2,926), non-interest bearing, repayable in monthly installments of \$266, maturing in February 2019.

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.****Notes to Financial Statements****Year Ended March 31, 2017****7. LAND, BUILDING AND EQUIPMENT**

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 8,567	\$ -	\$ 8,567	\$ 8,567
Building	713,044	466,436	246,608	264,435
Equipment	18,260	17,177	1,083	1,323
Works of art	7,334	-	7,334	7,334
	<b>\$ 747,205</b>	<b>\$ 483,613</b>	<b>\$ 263,592</b>	<b>\$ 281,659</b>

**8. DEFERRED DONATIONS**

	Opening balance	Contributions received	Recognized as revenue	2017
We Care to Make You Better	\$ 15,869	\$ 190	\$ 11,778	\$ 4,281
It's the Way We Operate	8,011	-	8,011	-
The More We See	5,207	-	5,207	-
Focus on Patient Care	-	79,681	65,474	14,207
Give Our Surgeons Inside Information	-	36,661	-	36,661
Extra Mural	24,425	5,730	7,386	22,769
Give Comfort (Palliative Care)	9,658	46	-	9,704
Port Elgin Health Centre	965	75	-	1,040
Staff Education	-	4,000	-	4,000
	<b>\$ 64,135</b>	<b>\$ 126,383</b>	<b>\$ 97,856</b>	<b>\$ 92,662</b>

**9. COMMITMENTS**

- (a) The Foundation has agreed to fund the purchase of equipment for the Sackville Memorial Hospital at an estimated cost of \$147,100 in the 2018 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.

**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2017**

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10. CHARITABLE EXPENDITURES

	<u>2017</u>	<u>2016</u>
We Care to Make you Better	\$ 11,778	\$ 87,637
Focus on Patient Care	64,941	17,366
It's the Way we Operate	8,011	4,199
Extra Mural Purchases	7,386	370
Let's not Miss a Beat	-	72
The More we see Disbursements	5,207	-
Staff education	-	6,000
Non-campaign disbursements	5,000	5,000
Bursaries	2,000	1,000
Donations to Horizon Health	350	656
Community Groups	10,000	300
	<u>\$ 114,673</u>	<u>\$ 122,600</u>

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11. RECEIPTED DONATIONS

The total value of donation receipts issued during the year was \$111,551 (2016 - \$111,074).

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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, 2017, the Foundation was not in compliance with the policy. Subsequent to year end, the investment portfolio was realigned with the policy. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2017.

**(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, 2017 was \$31,430 (2016 - \$23,001)

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**SACKVILLE MEMORIAL HOSPITAL FOUNDATION INC.**

**Notes to Financial Statements**

**Year Ended March 31, 2017**

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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

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