

Financial statements

**St. Martha's Regional Hospital Foundation**

March 31, 2018

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## Independent auditor's report

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To the Directors of St. Martha's Regional Hospital Foundation

We have audited the accompanying financial statements of St. Martha's Regional Hospital Foundation, which comprise the statements of financial position as at March 31, 2018 and the statements of operations, statements of changes in net assets and statements of cash flows for the years ended March 31, 2018, 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 non-profit organizations, the Foundation derives revenue from the general public in the form of donations, parking and fundraising, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of revenue over expenses, assets and net assets.

### 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 St. Martha's Regional Hospital Foundation as at March 31, 2018, and the results of its operations and its cash flows for the years ended March 31, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

Antigonish, Canada  
June 25, 2018

*Grant Thornton LLP*

Chartered Professional Accountants  
Licensed Public Accountants

# St. Martha's Regional Hospital Foundation

## Statements of operations

Year ended March 31

	<u>Operating</u>	<u>Investment</u>	<u>Parking Endowment</u>	<u>Campaign</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue						
Donations						
Bequests and donations	\$ 32,000	\$ 10,500	\$ -	\$ -	\$ 42,500	\$ 43,000
Designated bequests and donations (Note 4)	86,968	-	-	-	86,968	82,517
Campaign	-	-	-	2,792,781	2,792,781	1,219,798
Other	<u>27,293</u>	<u>-</u>	<u>-</u>	<u>3,870</u>	<u>31,163</u>	<u>35,926</u>
	146,261	10,500	-	2,796,651	2,953,412	1,381,241
Fundraising	151,152	-	-	-	151,152	118,967
Parking	36,495	-	328,461	-	364,956	372,199
Interest and dividends	4,931	117,536	-	-	122,467	53,430
Realized gains on investments	-	153,208	-	-	153,208	54,611
Unrealized gains on investments	<u>-</u>	<u>10,639</u>	<u>-</u>	<u>-</u>	<u>10,639</u>	<u>442,507</u>
	<u>338,839</u>	<u>291,883</u>	<u>328,461</u>	<u>2,796,651</u>	<u>3,755,834</u>	<u>2,422,955</u>
Expenditure						
Administrative						
Bank charges	1,110	-	-	12,499	13,609	10,724
Office and equipment	12,760	-	-	-	12,760	10,646
Professional fees	11,432	-	-	27,548	38,980	15,694
Fundraising	62,382	-	-	60,750	123,132	296,527
Wages and benefits	<u>54,563</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>60,563</u>	<u>62,169</u>
	<u>142,247</u>	<u>-</u>	<u>-</u>	<u>106,797</u>	<u>249,044</u>	<u>395,760</u>
Contributions to St. Martha's Regional Hospital	<u>169,784</u>	<u>-</u>	<u>60,069</u>	<u>313,497</u>	<u>543,350</u>	<u>162,066</u>
	<u>312,031</u>	<u>-</u>	<u>60,069</u>	<u>420,294</u>	<u>792,394</u>	<u>557,826</u>
Excess of revenue over expenditures	<u>\$ 26,808</u>	<u>\$ 291,883</u>	<u>\$ 268,392</u>	<u>\$ 2,376,357</u>	<u>\$ 2,963,440</u>	<u>\$ 1,865,129</u>

See accompanying notes to the financial statements.

**St. Martha's Regional Hospital Foundation**  
**Statements of changes in net assets**

Year ended March 31

	<u>Operating</u>	<u>Investment</u>	<u>Parking Endowment</u>	<u>Campaign</u>	<u>2018 Total</u>	<u>2017 Total</u>
Net assets, beginning of year	\$ 10,468	\$ 4,380,693	\$ 648,027	\$ 600,000	\$ 5,639,188	\$ 3,774,059
Inter-fund transfer Net Surplus	(26,808)	2,716,663	-	(2,689,855)	-	-
Excess of revenue over expenditure	<u>26,808</u>	<u>291,883</u>	<u>268,392</u>	<u>2,376,357</u>	<u>2,963,440</u>	<u>1,865,129</u>
Net assets, end of year	<u>\$ 10,468</u>	<u>\$ 7,389,239</u>	<u>\$ 916,419</u>	<u>\$ 286,502</u>	<u>\$ 8,602,628</u>	<u>\$ 5,639,188</u>

See accompanying notes to the financial statements.

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**St. Martha's Regional Hospital Foundation**  
**Statement of financial position**  
**Operating fund**

March 31	2018	2017
<b>Assets</b>		
Current		
Cash and cash equivalents - unrestricted	\$ 444,735	\$ 771,741
Receivables	43,422	137,425
Prepays	<u>2,249</u>	<u>2,600</u>
	<u>\$ 490,406</u>	<u>\$ 911,766</u>
<b>Liabilities</b>		
Current		
Payables and accruals (Note 6)	\$ 75,057	\$ 39,311
Due to investment fund	100,003	561,059
Due to parking endowment fund	<u>58,779</u>	<u>76,400</u>
	233,839	676,770
Designated bequests and donations (Note 4)	<u>246,099</u>	<u>224,528</u>
	<u>479,938</u>	<u>901,298</u>
<b>Equity</b>		
Net assets	<u>10,468</u>	<u>10,468</u>
	<u>\$ 490,406</u>	<u>\$ 911,766</u>

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Approved on behalf of the Board

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the financial statements.

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**St. Martha's Regional Hospital Foundation**  
**Statement of financial position**  
**Investment fund**

March 31	2018	2017
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 49,311	\$ 18,620
Due from operating fund	<u>100,003</u>	<u>561,059</u>
	149,314	579,679
Investments (Note 5)	<u>7,812,608</u>	<u>4,401,014</u>
	<u>\$ 7,961,922</u>	<u>\$ 4,980,693</u>
<b>Liabilities</b>		
Current		
Due to campaign fund (Note 8)	\$ 572,683	\$ 600,000
<b>Equity</b>		
Net assets	<u>7,389,239</u>	<u>4,380,693</u>
	<u>\$ 7,961,922</u>	<u>\$ 4,980,693</u>

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Approved on behalf of the Board

\_\_\_\_\_ Director \_\_\_\_\_ Director

See accompanying notes to the financial statements.







# St. Martha's Regional Hospital Foundation

## Statements of cash flows

Year ended March 31

	<u>Operating</u>	<u>Investment</u>	<u>Parking Endowment</u>	<u>Campaign</u>	<u>2018 Total</u>	<u>2017 Total</u>
Increase (decrease) in cash and cash equivalents						
<b>Operating</b>						
Excess of revenue over expenditure	\$ 26,808	\$ 291,883	\$ 268,392	\$ 2,376,357	\$ 2,963,440	\$ 1,865,129
Change in non-cash operating working capital						
Receivables	94,003	-	-	-	94,003	(125,307)
Prepays	351	-	-	-	351	(2,599)
Deferred revenue – designated bequests and donations	21,571	-	-	-	21,571	21,230
Payables and accruals	<u>35,746</u>	<u>-</u>	<u>-</u>	<u>286,181</u>	<u>321,927</u>	<u>(7,161)</u>
	<u>178,479</u>	<u>291,883</u>	<u>268,392</u>	<u>2,662,538</u>	<u>3,401,292</u>	<u>1,751,292</u>
<b>Investing</b>						
Change in investments	<u>-</u>	<u>(3,411,594)</u>	<u>-</u>	<u>-</u>	<u>(3,411,594)</u>	<u>(3,184,292)</u>
Net (decrease) increase in cash and cash equivalents	178,479	(3,119,711)	268,392	2,662,538	(10,302)	(1,433,000)
Cash and cash equivalents						
Beginning of year	771,741	18,620	571,627	-	1,361,988	2,794,988
Inter-fund adjustments	<u>(505,485)</u>	<u>3,150,402</u>	<u>17,621</u>	<u>(2,662,538)</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 444,735</u>	<u>\$ 49,311</u>	<u>\$ 857,640</u>	<u>\$ -</u>	<u>\$ 1,351,686</u>	<u>\$ 1,361,988</u>
Cash and cash equivalents consist of						
Cash - unrestricted	\$ 444,735	\$ -	\$ -	\$ -	\$ 444,735	\$ 771,741
Cash and short term investments - restricted	<u>-</u>	<u>49,311</u>	<u>857,640</u>	<u>-</u>	<u>906,951</u>	<u>590,247</u>
	<u>\$ 444,735</u>	<u>\$ 49,311</u>	<u>\$ 857,640</u>	<u>\$ -</u>	<u>\$ 1,351,686</u>	<u>\$ 1,361,988</u>

See accompanying notes to the financial statements.

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# St. Martha's Regional Hospital Foundation

## Notes to the financial statements

March 31, 2018

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### 1. Nature of operations

St. Martha's Regional Hospital Foundation is a not-for-profit organization, incorporated in 1991 for the purpose of raising funds towards equipment, research and other expenses of St. Martha's Regional Hospital located in Antigonish, Nova Scotia. The Foundation's not-for-profit status makes it exempt for income tax purposes.

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### 2. Summary of significant accounting policies

#### Basis of presentation

St. Martha's Regional Hospital Foundation has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organization (ASNPO).

#### Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and balances with banks and guaranteed investments certificates and temporary investments.

#### Revenue recognition

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

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donation revenue is recorded on a cash basis while grants, investment and other revenue are recorded on the accrual basis.

Certain campaign contributions have been pledged to the Foundation but have not been recorded in the records of the Foundation as ultimate collection is not reasonably assured.

#### Investments

Investments are classified as available for sale and stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of operations.

Fair values of investments are determined as follows:

Fixed income securities and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Guaranteed investment certificates and temporary investments maturing within a year are stated at cost which together with accrued interest income approximates fair value given the short-term nature of these investments.

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# St. Martha's Regional Hospital Foundation

## Notes to the financial statements

March 31, 2018

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### 2. Summary of significant accounting policies (cont'd)

#### **Contributed services**

A substantial number of volunteers contribute a significant amount of their time each year to the Foundation. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

#### **Use of estimates**

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

An item subject to management estimate is allowance for doubtful accounts.

#### **Fund accounting**

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

The operating fund accounts for the organization's program delivery and administrative activities. This fund also reports the activities for equipment, research and education of St. Martha's Regional Hospital. This fund reports unrestricted resources, designated funds and restricted investments that are in the process of being transferred from/to the investment fund.

The investment fund reports the assets, liabilities, revenues and expenses related to fund raising activities related to bequests and planned giving and specific donations to the investment fund. All assets and liabilities within this fund are restricted.

The parking endowment fund is responsible to hold ninety percent of its net proceeds from the operation of the parking lot in trust for an endowment fund. The remaining ten percent of its net proceeds can be used by the foundation for any of its other charitable purposes. The capital and income of the parking endowment fund shall be used strictly to purchase medical equipment for the hospital.

The campaign fund reports the assets, liabilities, revenues and expenses related to specific donations to the campaign fund. All assets and liabilities within this fund are restricted.

It was decided that the residual of the general fund surplus and campaign fund surplus for the current year is to be transferred to the investment fund to become part of the investment fund.

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# St. Martha's Regional Hospital Foundation

## Notes to the financial statements

March 31, 2018

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### 2. Summary of significant accounting policies (cont'd)

#### Financial instruments

##### *Initial measurement*

The Foundation's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to the financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

##### *Subsequent measurement*

At each reporting date, the Foundation measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets) except for equities quoted in an active market, which may be measured at fair value. All changes in fair value of the Foundation's investments in equities quoted in an active market are recorded in the statement of operations. The financial instruments measured at amortized cost are cash and cash equivalents, receivables and payables and accruals.

For financial assets measured at cost or amortized cost, the Foundation regularly assess whether there are any indications of impairment. If there is an indication of impairment, and the Foundation determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

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### 3. Contribution revenues

Various donors have pledged \$1,171,550 in 2007 for the purpose of funding purchases of specific hospital equipment to St. Martha's Regional Hospital. To date \$1,139,550 has been collected, \$32,000 of which was collected during fiscal 2018.

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### 4. Designated bequests and donations

The Foundation has received specific bequests and donations designated for specific purposes.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 224,528	\$ 203,298
Amounts received	108,539	103,747
Amounts expended for designated purposes	<u>(86,968)</u>	<u>(82,517)</u>
Balance, end of year	<u>\$ 246,099</u>	<u>\$ 224,528</u>

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## St. Martha's Regional Hospital Foundation

### Notes to the financial statements

March 31, 2018

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5. Investments	<u>2018</u>	<u>2017</u>
Equities (Cost - 2018 - \$5,986,131; 2017 - \$3,303,038)	\$ 6,410,011	\$ 3,715,426
Mutual funds (Cost - 2018 - \$1,402,597; 2017 - \$685,588)	<u>1,402,597</u>	<u>685,588</u>
	<u>\$ 7,812,608</u>	<u>\$ 4,401,014</u>

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#### 6. Payables and accruals

Included in the payables and accruals for 2018 is \$8,938 (2017 - \$Nil) for government remittances.

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#### 7. Financial instruments risks

The Foundation is primarily exposed to interest rate volatility, market and liquidity risk. The Foundation has a set of formal investment policies and procedures to establish an asset mix amount of equity and fixed income investments, the policies require diversification of investments within categories, and include a set limit on the size of exposure to individual investments and counterparties.

##### (a) Interest rate risk

Interest rate risk is the risk that the market value of the Foundation's investments will fluctuate due to changes in market interest rates. The value of the Foundation's assets is affected by short-term changes in nominal interest rates and equity markets. To mitigate this risk, the Foundation invests its portfolio primarily in income producing instruments including cash and equity investments, with modest exposure to capital gain oriented instruments.

##### (b) Market risk

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting all similar financial instruments traded in the market. As all of the Foundation's investments are carried at fair value with fair value changes recognized in the statements of operations, all changes in market conditions will directly result in an increase (decrease) in excess of revenue over expenditures (expenditures over revenues). The Foundation's policy to invest in a portfolio based on criteria established in the Foundation's investment policies mitigates the impact of market risk.

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# St. Martha's Regional Hospital Foundation

## Notes to the financial statements

March 31, 2018

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### 7. Financial instruments risks (continued)

#### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of funds through fundraising activities and income generated from investments. The sources of funds are used to pay expenditures. In the normal course of business, the Foundation enters into commitments for future payments which may also impact the Foundation's liquidity.

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### 8. Commitment

#### Campaign

The Foundation had previously committed up to \$600,000 (313,498 of which has been used) in support of the creation of six palliative care beds. The remaining \$286,502 will be funded in the future.

#### Parking

During the year, the Foundation committed up to \$310,000 for the purchase of an echo cardio machine and omni cell system. Subsequent to year-end the Foundation has committed another \$218,175 to be used from parking in relation to four initiatives including a floor scrubber, vertical curtain air merchandiser, treatment tables, stretches and chairs and an ophthalmic retinal digital camera system.

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### 9. Comparative figures

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2018 financial statements.