

Financial statements

St. Martha's Regional Hospital Foundation

March 31, 2021

Contents

	<u>Page</u>
Independent auditor's report	1 - 2
Statements of operations	3
Statements of changes in net assets	4
Statements of financial	5
Statements of cash flows	6
Notes to the financial statements	7 - 11

Independent auditor's report

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To the Directors of
[St. Martha's Regional Hospital Foundation](#)

Qualified Opinion

We have audited the financial statements of St. Martha's Regional Hospital Foundation ("the Foundation"), which comprise the statements of financial position as at March 31, 2021, and the statements of operations, 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 St. Martha's Regional Hospital Foundation as at March 31, 2021, and its results of 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 not-for-profit organizations, the Foundation derives revenue from donations, parking and 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 donations, parking and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2021 and March 31, 2020, current assets as at March 31, 2021 and March 31, 2020, and net assets as at April 1 and March 31 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended March 31, 2020 was modified accordingly because of the possible effects of this limitation in 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 the 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 opinion.

Responsibilities of Management and Those Charged with Governance 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.

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.

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.

Antigonish, Canada
September 20, 2021

Grant Thornton LLP

Chartered Professional 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>2021 Total</u>	<u>2020 Total</u>
Revenue						
Donations						
Bequests and donations	\$ 57,413	\$ 750,000	\$ -	\$ -	\$ 807,413	\$ 1,076,075
Designated bequests and donations (Note 3)	65,138	-	-	-	65,138	107,545
Campaign donations	-	-	-	1,690,434	1,690,434	2,074,102
	<u>122,551</u>	<u>750,000</u>	<u>-</u>	<u>1,690,434</u>	<u>2,562,985</u>	<u>3,257,722</u>
Fundraising	136,716	-	-	-	136,716	142,713
Parking	23,009	-	207,077	-	230,086	333,742
Canada Emergency Wage Subsidy (CEWS)	13,841	-	-	-	13,841	-
Interest and dividends	1,219	347,745	-	-	348,964	338,240
Realized gain on investments	-	2,523,538	-	-	2,523,538	306,226
Unrealized gains (losses) on investments	-	1,180,324	-	-	1,180,324	(1,782,486)
	<u>297,336</u>	<u>4,801,607</u>	<u>207,077</u>	<u>1,690,434</u>	<u>6,996,454</u>	<u>2,596,157</u>
Expenditure						
Administrative						
Bank charges	586	-	-	16,271	16,857	16,821
Office and equipment	38,765	-	-	-	38,765	12,828
Professional fees	28,269	-	-	-	28,269	15,987
Fundraising	39,201	-	-	24,513	63,714	75,028
Wages and benefits	80,885	-	-	71,530	152,415	100,652
	<u>187,706</u>	<u>-</u>	<u>-</u>	<u>112,314</u>	<u>300,020</u>	<u>221,316</u>
Contributions to St. Martha's Regional Hospital	62,593	-	201,806	283,799	548,198	683,326
	<u>250,299</u>	<u>-</u>	<u>201,806</u>	<u>396,113</u>	<u>848,218</u>	<u>904,642</u>
Excess of revenue over expenditures	\$ 47,037	\$ 4,801,607	\$ 5,271	\$ 1,294,321	\$ 6,148,236	\$ 1,691,515

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>2021 Total</u>	<u>2020 Total</u>
Net assets, beginning of year	\$ 10,468	\$11,574,100	\$ 919,159	\$ 18,699	\$12,522,426	\$ 10,830,911
Excess of revenue over expenditure	47,037	4,801,607	5,271	1,294,321	6,148,236	1,691,515
Inter-fund transfer Net Surplus	<u>(47,037)</u>	<u>1,341,358</u>	<u>-</u>	<u>(1,294,321)</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 10,468</u>	<u>\$17,717,065</u>	<u>\$ 924,430</u>	<u>\$ 18,699</u>	<u>\$18,670,662</u>	<u>\$12,522,426</u>

See accompanying notes to the financial statements.

St. Martha's Regional Hospital Foundation

Statements of financial position

Year ended March 31

	<u>Operating</u>	<u>Investment</u>	<u>Parking Endowment</u>	<u>Campaign</u>	<u>2021 Total</u>	<u>2020 Total</u>
Assets						
Current						
Cash and cash equivalents	\$ 789,592	\$ 16,409	\$ 1,077,191	\$ -	\$ 1,883,192	\$ 2,728,489
Receivables	36,208	-	-	-	36,208	4,727
Prepays	1,765	-	-	-	1,765	2,100
Inter-fund receivable	152,761	628,719	-	18,699	800,179	388,220
Investments (Note 4)	-	17,090,636	-	-	17,090,636	10,174,152
	<u>\$ 980,326</u>	<u>\$17,735,764</u>	<u>\$ 1,077,191</u>	<u>\$ 18,699</u>	<u>\$19,811,980</u>	<u>\$13,297,688</u>
Liabilities						
Current						
Payables and accruals (Note 5)	\$ 84,567	\$ -	\$ -	\$ -	\$ 84,567	\$ 127,979
Inter-fund payable	628,719	18,699	152,761	-	800,179	388,220
	<u>\$ 713,286</u>	<u>\$ 18,699</u>	<u>\$ 152,761</u>	<u>\$ -</u>	<u>\$ 884,746</u>	<u>\$ 516,199</u>
Designated bequests and donations (Note 3)	256,572	-	-	-	\$ 256,572	\$ 259,063
	<u>\$ 969,858</u>	<u>\$ 18,699</u>	<u>\$ 152,761</u>	<u>\$ -</u>	<u>\$ 1,141,318</u>	<u>\$ 775,262</u>
Equity						
Net Assets						
	<u>10,468</u>	<u>17,717,065</u>	<u>924,430</u>	<u>18,699</u>	<u>18,670,662</u>	<u>12,522,426</u>
	<u>\$ 980,326</u>	<u>\$17,735,764</u>	<u>\$ 1,077,191</u>	<u>\$ 18,699</u>	<u>\$19,811,980</u>	<u>\$13,297,688</u>

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>2021 Total</u>	<u>2020 Total</u>
Increase (decrease) in cash and cash equivalents						
Operating						
Excess of revenue over expenditure	\$ 47,037	\$ 4,801,607	\$ 5,271	\$ 1,294,321	\$ 6,148,236	\$ 1,691,515
Change in non-cash operating working capital						
Receivables	(31,481)	-	-	-	(31,481)	(4,162)
Prepays	335	-	-	-	335	(2,100)
Deferred revenue – designated bequests and donations	(2,491)	-	-	-	(2,491)	22,360
Payables and accruals	(43,412)	-	-	-	(43,412)	(118,412)
	<u>(30,012)</u>	<u>4,801,607</u>	<u>5,271</u>	<u>1,294,321</u>	<u>6,071,187</u>	<u>1,589,201</u>
Investing						
Change in investments	-	(6,916,484)	-	-	(6,916,484)	(1,588,971)
Net (decrease) increase in cash and cash equivalents	(30,012)	(2,114,877)	5,271	1,294,321	(845,297)	230
Cash and cash equivalents						
Beginning of year	742,166	1,058,145	928,178	-	2,728,489	2,728,259
Inter-fund adjustments	77,438	1,073,141	143,742	(1,294,321)	-	-
End of year	<u>\$ 789,592</u>	<u>\$ 16,409</u>	<u>\$ 1,077,191</u>	<u>\$ -</u>	<u>\$ 1,883,192</u>	<u>\$ 2,728,489</u>
Cash and cash equivalents consist of						
Cash - unrestricted	\$ 789,592	\$ -	\$ -	\$ -	\$ 789,592	\$ 742,166
Cash and short term investments - restricted	-	16,409	1,077,191	-	1,093,600	1,986,323
	<u>\$ 789,592</u>	<u>\$ 16,409</u>	<u>\$ 1,077,191</u>	<u>\$ -</u>	<u>\$ 1,883,192</u>	<u>\$ 2,728,489</u>

See accompanying notes to the financial statements.

St. Martha's Regional Hospital Foundation

Notes to the financial statements

March 31, 2020

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.

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.

St. Martha's Regional Hospital Foundation

Notes to the financial statements

March 31, 2020

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 Foundation'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.

The annual net surplus of the operating fund and campaign fund for the current year is to be transferred to the investment fund to become part of the investment fund.

St. Martha's Regional Hospital Foundation

Notes to the financial statements

March 31, 2020

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 are 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.

3. Designated bequests and donations

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

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 259,063	\$ 236,703
Amounts received	62,647	129,905
Amounts expended for designated purposes	<u>(65,138)</u>	<u>(107,545)</u>
Balance, end of year	<u>\$ 256,572</u>	<u>\$ 259,063</u>

St. Martha's Regional Hospital Foundation

Notes to the financial statements

March 31, 2020

4. Investments	<u>2021</u>	<u>2020</u>
Equities, investment trust and fixed income (Cost – 2021 - \$17,008,230; 2020 - \$11,564,386)	<u>\$17,090,636</u>	<u>\$10,174,152</u>

5. Payables and accruals

Included in the payables and accruals for 2021 is \$7,716 (2020 - \$6,576) for government remittances.

6. 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.

St. Martha's Regional Hospital Foundation

Notes to the financial statements

March 31, 2020

6. 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.

7. Commitment

The Foundation has previously made a commitment through the capital fund to provide \$600,000 in support of the creation of six palliative care beds. To date \$581,301 has been provided, leaving a remaining balance of \$18,699 to be funded in future periods.

8. Impact of COVID-19

On March 11, 2020, COVID-19 was declared a global pandemic. The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Foundation has experienced fluctuations on the global stock market, suspension of non-COVID related spending, and a reduction of parking revenues due to suspension of staff parking payroll reductions and the Hospital being restricted to the public for varying periods during the fiscal year. As well, some fundraisers were postponed or cancelled and replaced with other fundraisers. The Foundation also received \$13,841 through the Canada Emergency Wage Subsidy (CEWS) program, that provided some relief during periods where their revenues were temporarily reduced due to the economic impact of the COVID-19 pandemic. The Foundation has determined the pandemic will not have an impact on the Foundation's ability to continue as a going concern.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods.

9. Comparative figures

Certain of current year figures have been reclassified to conform with current year presentation.