

Non-Consolidated Financial Statements of

**FRIENDS OF THE MONCTON HOSPITAL
FOUNDATION, INC.**

And Independent Auditors' Report thereon

Year ended March 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Chair and Members of the Board of Directors

Qualified Opinion

We have audited the non-consolidated financial statements of Friends of The Moncton Hospital Foundation, Inc. (the Foundation), which comprise:

- the non-consolidated statement of financial position as at March 31, 2022
- the non-consolidated statement of operations and changes in fund balances for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the ***“Basis for Qualified Opinion”*** section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Foundation as at March 31, 2022, and its non-consolidated results of operations and changes in fund balances, and its non-consolidated 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, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue 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:

- the assets reported in the non-consolidated statements of financial position as at March 31, 2022 and March 31, 2021;
- the revenues, excess of revenues over expenses, and the fund balances, at the beginning and end of the year, reported in the non-consolidated statements of operations for the years ended March 31, 2022 and March 31, 2021; and
- the excess of revenues over expenses reported in the non-consolidated statements of cash flows for the years ended March 31, 2022 and March 31, 2021.



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Our opinion on the financial statements for the year ended March 31, 2021 was qualified 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 “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ 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 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.

Auditors’ 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 auditors’ 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 the 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.



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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 auditors' 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 auditors' 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants
Moncton, Canada
June 2, 2022

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Non-Consolidated Statement of Financial Position

March 31, 2022, with comparative information for 2021

				2022	2021
	Unspecified Funds	Specified Funds	Endowment Funds	Total	Total
Assets					
Cash and investments (note 2)	\$ 4,037,105	\$13,237,015	\$ 9,552,673	\$26,826,793	\$ 23,414,907
Accounts receivable	10,367	–	–	10,367	5,085
Prepaid expenses	10,199	–	–	10,199	9,491
Investment in subsidiary (note 3)	3,164,819	–	–	3,164,819	3,170,417
	<u>\$ 7,222,490</u>	<u>\$13,237,015</u>	<u>\$ 9,552,673</u>	<u>\$30,012,178</u>	<u>\$ 26,599,900</u>
Liabilities and Fund Balances					
Liabilities:					
Payable to The Moncton Hospital	\$ 397,074	\$ 351,530	\$ –	\$ 748,604	\$ 359,412
Accrued liabilities	20,000	–	–	20,000	43,154
	<u>417,074</u>	<u>351,530</u>	<u>–</u>	<u>768,604</u>	<u>402,566</u>
Fund balances:					
Unrestricted	6,805,416	–	–	6,805,416	6,414,149
Externally restricted	–	12,885,485	–	12,885,485	10,383,392
Endowment (note 4)	–	–	9,552,673	9,552,673	9,399,793
	<u>6,805,416</u>	<u>12,885,485</u>	<u>9,552,673</u>	<u>29,243,574</u>	<u>26,197,334</u>
Subsequent event (note 10)					
	<u>\$ 7,222,490</u>	<u>\$13,237,015</u>	<u>\$ 9,552,673</u>	<u>\$30,012,178</u>	<u>\$ 26,599,900</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

_____ Director

_____ Director

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Non-Consolidated Statement of Operations and Changes in Fund Balances

Year ended March 31, 2022, with comparative information for 2021

				2022	2021
	Unspecified Funds	Specified Funds	Endowment Funds	Total	Total
Revenues:					
Fundraising	\$ 975,542	\$ 3,004,124	\$ 259,119	\$ 4,238,785	\$ 4,558,454
Lotteries, net (note 5)	306,487	–	–	306,487	226,008
Other income	52,288	39,479	250	92,017	93,629
	1,334,317	3,043,603	259,369	4,637,289	4,878,091
Investments, net (note 6)	127,000	–	97,113	224,113	1,889,351
	1,461,317	3,043,603	356,482	4,861,402	6,767,442
Fundraising and administrative expenses (note 7)	1,258,776	–	–	1,258,776	1,100,317
Excess of revenues over expenses before the undernoted	202,541	3,043,603	356,482	3,602,626	5,667,125
Equity income (loss) from investment in subsidiary	(5,598)	–	–	(5,598)	44,519
Grants to The Moncton Hospital	–	(550,788)	–	(550,788)	(620,439)
Excess of revenues over expenses	196,943	2,492,815	356,482	3,046,240	5,091,205
Fund balances, beginning of year	6,414,149	10,383,392	9,399,793	26,197,334	21,106,129
Transfer of funds during the year	194,324	9,278	(203,602)	–	–
Fund balances, end of year	\$ 6,805,416	\$12,885,485	\$ 9,552,673	\$29,243,574	\$ 26,197,334

See accompanying notes to non-consolidated financial statements.

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	\$ 3,046,240	\$ 5,091,205
Items not involving cash:		
Equity loss (income) from investment in subsidiary	5,598	(44,519)
Realized gain on investments	(337,967)	(517,503)
Unrealized loss (gain) on investments	468,400	(972,435)
Increase in cash surrender value of life insurance	(8,211)	(14,946)
Change in non-cash operating working capital:		
Increase in accounts receivable	(5,282)	(2,044)
Increase in prepaid expenses	(708)	(618)
Increase in payable to The Moncton Hospital	389,192	36,826
Increase (decrease) in accrued liabilities	(23,154)	31,154
	3,534,108	3,607,120
Investing activity:		
Net decrease (increase) in investments	(450,901)	968,569
Increase in cash	3,083,207	4,575,689
Cash, beginning of year	7,837,239	3,261,550
Cash, end of year (note 2)	\$ 10,920,446	\$ 7,837,239

See accompanying notes to non-consolidated financial statements.

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Notes to Non-Consolidated Financial Statements

Year ended March 31, 2022

Friends of The Moncton Hospital Foundation, Inc. (the Foundation) is a not-for-profit organization without share capital incorporated under the laws of New Brunswick and its principal activities include receiving contributions, bequests and memorials to hold for investment and the application of income and capital to The Moncton Hospital to assist in its efforts to provide patient care. The Foundation is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

These non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants Canada Handbook.

(a) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value using closing prices. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its fixed income investments at fair value.

The Foundation accounts for its wholly-owned subsidiary, F.M.H. Management Ltd., using the equity method.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions which include donations and bequests. Restricted contributions are recognized as revenue of the appropriate restricted funds, be it Specified or Endowment.

The Unspecified Funds accounts for the Foundation's program delivery and administrative activities. These funds report unrestricted resources. Unrestricted contributions are recognized as revenue of the Unspecified Funds in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest and dividends are recorded on the accrual basis. Realized gain (loss) on sale of investments is the difference between proceeds received and the cost of the investment sold. All changes in fair value are recognized in investment income as part of the unrealized gain (loss) on investments. Other than investment income earned in the Endowment Funds, all investment income is recognized as revenue of the Unspecified Funds when earned (note 6).

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(c) Capital assets:

The Foundation does not own capital assets. Premises are provided at no charge by the Horizon Health Network/Réseau de Santé Horizon.

(d) Contributed services:

Volunteers contribute significant hours per year to assist the Foundation in carrying out its campaigns and service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the non-consolidated financial statements.

(e) Use of estimates:

The preparation of non-consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

2. Cash and investments:

	2022	2021
Cash	\$ 10,920,446	\$ 7,837,239
Investments:		
Cash held at investment manager	522,188	496,528
Fixed income	8,823,515	8,655,327
Equities	6,394,427	6,267,807
	15,740,130	15,419,662
Cash surrender value of life insurance policies	166,217	158,006
	\$ 26,826,793	\$ 23,414,907
Allocation of cash and investments:		
Unspecified Funds	\$ 4,037,105	\$ 3,383,036
Specified Funds	13,237,015	10,632,078
Endowment Funds	9,552,673	9,399,793
	\$ 26,826,793	\$ 23,414,907

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2022

3. Investment in subsidiary:

F.M.H. Management Ltd. (the subsidiary company) is incorporated under the New Brunswick Business Corporations Act and its principal activities include the rental and the maintenance of the Professional Arts Building at 100 Arden Street, Moncton, New Brunswick. The Foundation follows the practice of appointing two persons to the subsidiary company's Board of Directors and approving the remaining Directors. The investment in the subsidiary company is accounted for using the equity method.

Financial statements of the subsidiary company are available on request. Financial summaries of this entity as at December 31 (its fiscal year end) are as follows:

F.M.H. Management Ltd.

	2022	2021
Balance Sheet		
Total assets	\$ 3,292,000	\$ 3,355,000
Total liabilities	\$ 115,000	\$ 185,000
Shareholder's equity	3,177,000	3,170,000
	\$ 3,292,000	\$ 3,355,000
Results of Operations		
Total revenues	\$ 1,716,000	\$ 1,657,000
Total expenses (i)	1,709,000	1,613,000
Net earnings	\$ 7,000	\$ 44,000
Cash Flows		
Cash provided by operations	\$ 217,000	\$ 197,000
Cash provided by (used for) financing activities	(75,000)	60,000
Cash provided by (used for) investing activities	(4,000)	24,000
Increase in cash	\$ 138,000	\$ 281,000

(i) Total expenses include contributions of \$600,000 (2021 - \$515,000) to the Foundation. A contribution in the amount of \$500,000 (2021 - \$500,000) was recorded in fundraising revenues in the Specified Funds and \$100,000 (2021 - \$15,000) was recorded in fundraising revenues in the Unspecified Funds.

4. Endowment:

Endowment fund balances are subject to internally and externally imposed restrictions stipulating that the resources be maintained permanently.

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2022

5. Lotteries, net:

	2022		2021	
Revenue	\$	381,871	\$	257,033
Expenses		(75,384)		(31,025)
	\$	306,487	\$	226,008

6. Investments, net:

	2022		2021	
	Unspecified Funds	Endowment Funds	Total	Total
Income:				
Interest and dividends	\$ 235,267	\$ 249,388	\$ 484,655	\$ 528,434
Realized gain on investments	73,325	264,642	337,967	517,503
Unrealized gain (loss) on investments	(129,613)	(338,787)	(468,400)	972,435
	178,979	175,243	354,222	2,018,372
Expenses:				
Brokerage fees	51,979	78,130	130,109	129,021
	\$ 127,000	\$ 97,113	\$ 224,113	\$ 1,889,351

7. Fundraising and administrative expenses:

	2022		2021	
Salaries and benefits	\$	787,541	\$	751,631
General and administrative		191,511		175,917
Communication and branding		234,885		119,521
Professional services		39,678		52,464
Board and staff education		5,161		784
	\$	1,258,776	\$	1,100,317

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2022

8. Financial risks:

The Board of Directors has identified its major risks and concerns and has approved investment policy guidelines. Management monitors the risk and adherence to the policy guidelines. The Foundation engages knowledgeable investment managers who are charged with the responsibility of monitoring and mitigating the risks.

The Company has exposure to the following risks from its use of financial instruments:

a) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. Market risk has increased due to significant volatility in financial markets due to the COVID-19 pandemic and geopolitical factors. As all of the Foundation's investment, except for its investment in its subsidiary, are carried at fair value with fair value changes recognized in the non-consolidated statement of operations and changes in fund balances, all changes in market conditions will directly result in an increase (decrease) in fund balances. Market price risk is managed by the Foundation through construction of a diversified portfolio of instruments traded on various markets and across various industries.

b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Foundation maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. There has been no change to the risk exposures from 2021.

c) Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation holds financial instruments denominated in currencies other than the Canadian dollar. Consequently, the Foundation is exposed to risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the investments denominated in currencies other than the Canadian dollar. At March 31, 2022, approximately 21.47% (2021 - 21.90%) of the Foundation's investments are denominated in U.S. dollar currency.

d) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Foundation. The Foundation is exposed to credit risk on its fixed income investments. The Foundation mitigates this risk by restricting fixed income investments to instruments with high quality credit ratings. There has been no change to the risk exposures from 2021.

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Notes to Non-Consolidated Financial Statements (continued)

Year ended March 31, 2022

9. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.

10. Subsequent event:

Subsequent to year end, the Foundation entered into an Investment Management Agreement with RBC Phillips, Hager & North Investment Counsel Inc. (PH&N).