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## Financial Statements

Prince County Hospital Foundation Inc.

December 31, 2022

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PURSUANT TO  
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A-2024-180756

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## Independent auditor's report

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To the members of  
The Board of  
Prince County Hospital Foundation

### Qualified Opinion

We have audited the financial statements of Prince County Hospital Foundation Inc. ("the Foundation"), which comprise the statement of financial position as at December 31, 2022, 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 Prince County Hospital Foundation Inc., as at December 31, 2022, and its 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 not-for-profit organizations, the Foundation derives revenue from donations, 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 donation revenues, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2022 and 2021, current assets as at December 31, 2022 and 2021, and net assets as at January 1 and December 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended December 31, 2021 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 Statement

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.

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**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.

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**Prince County Hospital Foundation Inc.**  
**Statement of operations**

Year ended December 31

2022

2021

	<u>Unrestricted funds</u>			Endowment		
	<u>General</u>	<u>Equipment</u>		<u>Fund</u>	<u>Total</u>	<u>Total</u>
	<u>Operating Fund</u>	<u>Fund</u>	<u>Sub-total</u>			
Revenue						
General contributions	\$ 108,266	\$ 2,366,446	\$ 2,474,712	\$ 1,333,968	\$ 3,808,680	\$ 3,878,375
Provincial government	-	2,250,000	2,250,000	-	2,250,000	1,250,000
Insurance policies	27,060	-	27,060	-	27,060	27,060
Trust fund income (Note 7/8)	8,669	44,374	53,043	-	53,043	47,678
Investment income (Note 3)	(410,220)	153,320	(256,900)	-	(256,900)	2,592,865
	(266,225)	4,814,140	4,547,915	1,333,968	5,881,883	7,795,978
Expenses						
Payments to Prince County						
Hospital for equipment	-	2,154,887	2,154,887	-	2,154,887	1,904,681
Salaries and benefits	276,662	-	276,662	-	276,662	258,612
Fund raising expenses	172,289	-	172,289	-	172,289	173,092
Recruitment and retention	49,114	-	49,114	-	49,114	59,300
Administration	48,381	-	48,381	-	48,381	47,610
Professional fees	49,751	-	49,751	-	49,751	46,432
Insurance policies	29,205	-	29,205	-	29,205	29,175
24(1) student nurses bursary	12,254	-	12,254	-	12,254	5,115
PCH Foundation continuing education bursary	11,103	-	11,103	-	11,103	5,001
Amortization	572	-	572	-	572	572
	649,331	2,154,887	2,804,218	-	2,804,218	2,529,590
Excess of revenues over expenses	\$ (915,556)	\$ 2,659,253	\$ 1,743,697	\$ 1,333,968	\$ 3,077,665	\$ 5,266,388

See accompanying notes to the financial statements.

**Prince County Hospital Foundation Inc.**  
**Statement of financial position**

December 31 2022 2021

**Assets**

**Current**

Cash and cash equivalents	\$ 6,648,145	\$ 5,047,040
Short term investment - GIC	500,000	-
Receivables	10,559	8,881
Prepaid expenses	37,048	23,981
	<u>7,195,752</u>	<u>5,079,902</u>
Investments (Note 4)	38,927,365	38,177,176
Tangible capital assets	10,285	10,857
	<u>\$ 46,133,402</u>	<u>\$ 43,267,935</u>

**Liabilities**

**Current**

Payables and accruals	\$ 134,287	\$ 99,835
Trust (Note 7)	637,823	711,384
24(1) Memorial Trust (Note 8)	1,834,216	2,007,305
	<u>2,606,326</u>	<u>2,818,524</u>

**Net assets**

General Operating Fund (Page 5)	2,250,481	3,189,304
Equipment Fund (Page 5)	4,630,315	5,471,062
Internally restricted - Endowment (Page 5)	27,054,069	23,503,802
Externally restricted - Endowment (Page 5)	9,592,211	8,258,243
Total net assets	<u>43,527,076</u>	<u>40,449,411</u>
	<u>\$ 46,133,402</u>	<u>\$ 43,267,935</u>

**Commitments (Note 6)**

**On behalf of the Board**

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See accompanying notes to the financial statements.

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**Prince County Hospital Foundation Inc.**  
**Statement of changes in net assets**

Year ended December 31

2022

2021

	General Operating Fund	Equipment Fund	Endowment		Total	Total
			Internally Restricted	Externally Restricted		
Opening balance	\$ 3,189,304	\$ 5,471,062	\$ 23,530,802	\$ 8,258,243	\$ 40,449,411	\$ 35,183,023
Excess revenues over expenditures	(915,556)	2,659,253	-	1,333,968	3,077,665	5,266,388
Inter-fund Transfers (Note 5)	(23,267)	(3,500,000)	3,523,267	-	-	-
Ending balance	\$ 2,250,481	\$ 4,630,315	\$ 27,054,069	\$ 9,592,211	\$ 43,527,076	\$ 40,449,411

See accompanying notes to the financial statements.

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# **Prince County Hospital Foundation Inc.** **Statement of cash flows**

Year Ended December 31

2022

2021

Increase in cash and cash equivalents

<b>Operating</b>		
Excess of revenues over expenditures	\$ 3,077,665	\$ 5,266,3898
Depreciation	572	572
Change in unrealized loss (gain) on investments	1,262,483	(1,255,046)
Realized gain on sale of investments	(252,027)	(713,823)
Bond amortization	57,776	75,225
	<u>4,146,469</u>	<u>3,373,316</u>
Changes in working capital items:		
Receivables	(1,678)	(1,226)
Prepaid expenses	(13,067)	(6,075)
Payables	34,452	35,539
Advances to (from) Prince County Hospital -- Educational Fund	-	(185,980)
	<u>4,166,176</u>	<u>3,213,574</u>
<b>Investment</b>		
Proceeds from sale of matured and sold bonds	3,152,000	3,189,935
Purchase of bonds	(3,951,880)	(6,034,432)
Purchase of GIC	(500,000)	
Proceeds from sale of investments measured at fair value	17,136,370	19,286,830
Purchase of investments measured at fair value	(18,154,912)	(20,407,874)
	<u>(2,318,422)</u>	<u>(3,965,541)</u>
<b>Capital</b>		
Change in 24(1) Trust, net	(73,562)	31,406
Change in Memorial Trust, net	(173,087)	50,928
	<u>(246,649)</u>	<u>82,334</u>
Net increase (decrease) in cash and cash equivalents	1,601,105	(669,633)
Cash and cash equivalents, beginning of year	5,047,040	5,716,673
Cash and cash equivalents, end of year	<u>\$ 6,648,145</u>	<u>\$ 5,047,040</u>

See accompanying notes to the financial statements.

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## **Prince County Hospital Foundation Inc.**

### **Notes to the financial statements**

December 31, 2022

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#### **1. Purpose of the organization**

Prince County Hospital Foundation Inc. (the "Foundation") is an incorporated non-profit organization and is a registered charity under the Income Tax Act.

The Foundation was created to manage the endowment funds of the former Board of Trustees of Prince County Hospital (the "Hospital"), to accept new donations and gifts and to conduct fund raising activities. These funds are to be utilized solely for the benefit of the Hospital.

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#### **2. Summary of significant accounting policies**

##### **Basis of presentation**

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

##### **Use of estimates**

In preparing the Foundation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Significant estimates include fair value measurement of investments.

##### **Fund accounting**

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

*The general operating fund* consists of unrestricted donations from general fund-raising activities and other income sources outside of the major campaigns. These monies, together with the investment income earned, less all administration and fundraising costs, support the ongoing operating requirements of the Foundation. Restricted donations, if received, would be deferred until the external restriction is met by the Foundation, at which time the revenue is recognized.

*The equipment fund* consists of donations from specific campaign fund raising activities which include the "Annual Vital Signs Campaign", "Lights for Life" and "Grass Roots and Cowboy Boots". All donations recognized through the equipment fund go directly towards the purchasing of capital equipment requirements of the Prince County Hospital. Donations to the equipment fund are considered restricted either when specifically restricted by the donor and or received for a specific campaign listed above.

*The endowment fund* includes donations where by the donor has externally restricted the principal amount of the donation in perpetuity. Unless otherwise stipulated by the donor, investment income earned is recognized through the general operating fund.

The Prince County Hospital Foundation Board has the ability to internally endow any excess of capital accumulated and income earned. By way of Board motion, these funds are transferred from the general operating and equipment fund to the internally restricted endowed fund.



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## **Prince County Hospital Foundation Inc.**

### **Notes to the financial statements**

December 31, 2022

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

##### **Revenue recognition**

Donations, which include bequests, are recorded when the cash is received. Outstanding pledges have not been recorded as donations in these financial statements.

Non-monetary donations, such as stock donations, are recorded at fair market value when received.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Investment income includes interest income and dividend income. Amortization of bond investment premiums and discounts are recognized on a straight-line basis. Dividend income is recognized upon distribution. Changes in fair value are recognized when they occur.

##### **Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with bank and short-term deposits with original maturities of three months or less.

##### **Contributed materials and services**

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

The Foundation may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

##### **Collections**

The Foundation does not recognize collections of rare books, cultural property, art work, etc. in the financial statements. The only significant collection held is the "Heritage Collection," assembled by 24(1)

##### **Equipment funding transfers**

Transfers to fund equipment purchases for the Prince County Hospital are recognized when paid through the equipment fund.

The Foundation makes an annual commitment to fund equipment purchases to the Hospital based upon a priority list of needs as presented by the Hospital. Funding is transferred to the Hospital when the purchase of equipment has been completed. At that time, an expense is recorded in the financial records of the Foundation. Differences between the annual commitments and the amounts forwarded are reported in Note 6 as Commitments.

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## Prince County Hospital Foundation Inc.

### Notes to the financial statements

December 31, 2022

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

##### Tangible capital assets

Purchased tangible capital assets greater than \$2,000 are recorded at cost. Contributed tangible capital assets are recorded at fair market value at the date of contribution.

Annual rates and bases of depreciation applied to write-off the cost less estimated salvage value of tangible capital assets over their estimated lives are as follows:

Building	35 years	straight line
Office equipment	20%	straight line

##### Financial assets and liabilities

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- Cash and cash equivalents
- Investments
- Trade receivables
- Trade payables
- Due to 24(1) Fund
- Due to Fund

A financial asset or liability is recognized when the Foundation becomes party to contractual provisions of the instrument.

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred. In the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, the carrying value is increased or decreased by the amount of the related financing fees and transaction costs.

At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost, including any impairment in the case of financial assets. Investments in equities that are traded in an active market are measured at fair value, along with certain bond investments, which the Foundation has elected to measure at fair value.

With respect to financial assets measured at amortized cost, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

# **Prince County Hospital Foundation Inc.** **Notes to the financial statements**

December 31, 2022

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

### **Income taxes**

The Foundation is a not-for-profit organization and as such, is not subject to income taxes.

<b>3. Investment (loss) income</b>	<b>2022</b>	<b>2021</b>
Investment income, stocks and equities	\$ 365,710	\$ 283,420
Investment income, bonds	618,132	584,934
Amortization of bond premium/discount	(57,776)	(75,225)
Investment manager fees	(172,509)	(170,247)
Realized gain on sale of investments	252,027	714,938
Unrealized (loss) gain on investments	(1,262,484)	1,255,045
	<b>\$ (256,900)</b>	<b>\$ 2,592,865</b>

<b>4. Investments</b>	<b>2022</b>	<b>2021</b>
Bonds, cost	\$ 21,674,724	\$ 20,874,576
Stocks, fair market value	17,252,641	17,302,600
	<b>\$ 38,927,365</b>	<b>\$ 38,177,176</b>

  

	<b>2022</b>		<b>2021</b>
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Stocks	\$ 15,441,271	\$ 17,252,641	\$ 13,983,593
			\$ 17,302,600

## **5. Inter-fund Transfers**

During the year ended December 31, 2022, The Prince County Hospital Foundation Board approved the following transactions:

	<u>General Operating Fund</u>	<u>Equipment Fund</u>	<u>Internally Endowed</u>
2022 Board endowments	\$ (23,267)	\$ (3,500,000)	\$ 3,523,267
Total inter-fund transfers	<b>\$ (23,267)</b>	<b>\$ (3,500,000)</b>	<b>\$ 3,523,267</b>

# **Prince County Hospital Foundation Inc.** **Notes to the financial statements**

December 31, 2022

## **6. Commitments**

The Foundation has commitments to Prince County Hospital as a result of its annual campaigns. These amounts will be satisfied as equipment designated in each year is acquired. Commitments at year end are as follows:

2018	\$	72,724
2021		177,496
2022		1,389,007

## **7. 24(1) Trust**

During 2009, the Foundation became the Trustees of Record for the 24(1) Memorial Hospital Trust and the 24(1) Student Nurse Bursary Fund. Disbursement for the funds is guided by the original intentions of the 24(1) Family. The Foundation is acting as Custodian and Trustee of the invested funds. The beneficiaries of the Funds are hospitals located in Prince County and registered front line LPN's or RN's providing direct patient care and working in Prince County. These assets were created as a separate Trust in 1982 and are maintained separate from those of the Foundation.

	<u>2022</u>		<u>2021</u>	
	<u>Memorial</u>	<u>Nurses</u>	<u>Total</u>	<u>Total</u>
Opening balance	\$ 356,367	\$ 355,017	\$ 711,384	\$ 679,988
Investment returns	2,688	2,310	4,998	20,540
Investment manager fees	(1,649)	(1,498)	(3,147)	(3,208)
Disbursements	(9,545)	(8,669)	(18,214)	(14,397)
Change in unrealized gain	(28,627)	(28,571)	(57,198)	28,471
Ending balance	\$ 319,234	\$ 318,589	\$ 637,823	\$ 711,384

During the year, the Foundation was disbursed \$8,668 (2021 - \$6,852) from the 24(1) Nurses Bursary which has been recorded as revenue through the general operating fund and \$9,545 (2021 - \$7,545) was disbursed to the beneficiaries of the 24(1) Memorial Trust of which the Foundation received \$5,448 as a beneficiary to the Trust.

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## Prince County Hospital Foundation Inc.

### Notes to the financial statements

December 31, 2022

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#### 8. 24(1) Memorial Trust

During 2019, the Foundation became the Trustee of Record for 24(1) Memorial Trust. Disbursement for the funds is guided by the original intentions of the 24(1) Family and the Foundation is acting Custodian and Trustee of the invested funds. In addition, the sole remaining beneficiary of the Trust is the Prince County Hospital Foundation. As directed, the income earned from the investments shall be used to provide financial support to purchase equipment for the Prince County Hospital.

	<u>2022</u>	<u>2021</u>
Opening balance	\$ 2,007,305	\$ 1,956,377
Investment return	62,347	37,897
Investment manager fees	(8,553)	(7,908)
Disbursements to PCHF Equipment Fund	(38,926)	(36,520)
Change in unrealized gain	(187,957)	57,459
Ending balance	<u>\$ 1,834,216</u>	<u>\$ 2,007,305</u>

During the year, the Foundation was disbursed \$38,926 (2021 - \$36,520) from the 24(1) Memorial Trust which has been recorded as revenue through the Equipment fund.

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#### 9. Financial Instruments

The Foundation's main financial risk exposure is detailed as follows:

##### Market risk

The Foundation's financial instruments expose it to market risk, in particular, interest rate risk, currency risk, resulting from its investing activities.

An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

##### Interest rate risk

The Foundation is exposed to interest rate risk with respect to financial assets bearing fixed interest rates. The term deposits and bond investments bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair values resulting from interest rate fluctuations.

##### Currency risk

Currency risk relates to the Foundation operating in foreign currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

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**Prince County Hospital Foundation Inc.**  
**Notes to the financial statements**

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December 31, 2022

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**9. Financial instruments (cont'd)**

The Foundation's foreign exchange risk is related to its stock holdings. Foreign currency changes are monitored by the investment committee.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

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**10. Carrying amount of financial assets  
by categories**

	<u>2022</u>	<u>2021</u>
Investments measured at amortized cost:		
Cash and cash equivalents	\$ 6,648,145	\$ 5,047,040
Short term investment - GIC	500,000	-
Receivables	10,559	8,881
Bonds	<u>21,674,724</u>	<u>20,874,577</u>
	<u>28,833,428</u>	<u>25,930,498</u>
Investments measured at fair value:		
Stocks and bonds	<u>17,252,641</u>	<u>17,302,599</u>
Non-financial assets:		
Prepays	37,046	23,981
Tangible capital assets	<u>10,285</u>	<u>10,857</u>
	<u>47,333</u>	<u>34,838</u>
Total assets	<u>\$ 46,133,402</u>	<u>\$ 43,267,935</u>

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