



Financial Statements

Valley Regional Hospital Foundation

March 31, 2021

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Independent auditor's report

**To the Board of Directors of
Valley Regional Hospital Foundation**

Qualified Opinion

We have audited the financial statements of Valley Regional Hospital Foundation (“the Organization”), which comprise the statement 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 Valley 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 Organization derives revenue from fundraising and donation 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising or donation 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, 2020 and March 31, 2021 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 Organization 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 Organization'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 Organization'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 Organization 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.

Grant Thornton LLP

Kentville, Canada
June 22, 2021

Chartered Professional Accountants

Valley Regional Hospital Foundation

Statement of Operations

Year Ended March 31

	Unrestricted Funds	Restricted Fund Hospital Improvements and Capital Additions	2021	2020
Revenue				
Donations	\$ 614,746	\$ 236,116	\$ 850,862	\$ 303,087
Fundraising	25,803	307,162	332,965	291,138
Investment income (Note 4)	145,772	3,945	149,717	135,584
Gifts in kind			-	70
Unrealized gain (loss) on investments	704,753	27,758	732,511	(301,769)
Total Revenue	1,491,074	574,981	2,066,055	428,110
Expenditures				
General & Administrative				
Bank charges	5,268		5,268	4,404
Direct response costs	280	10,447	10,727	10,829
Dues and fees	4,110		4,110	4,465
Fundraising	7,021	13,337	20,358	19,803
Insurance	3,919		3,919	3,429
Investment fees	23,432	656	24,088	26,561
Memberships	439		439	2,035
Office and miscellaneous	13,930	914	14,844	13,870
Office equipment lease	5,589		5,589	7,180
Printing		6,433	6,433	9,263
Professional fees	13,397		13,397	20,491
Promotion/donor recognition	4,166	2,108	6,274	12,031
Special events	5,254	2,221	7,475	27,431
Salaries and benefits	223,261		223,261	309,094
Telephone and internet	2,144	75	2,219	1,218
Travel	642	433	1,075	2,599
Total General & Administrative	312,852	36,624	349,476	474,703
Contributions				
Chaplaincy program		49,992	49,992	49,992
Equipment, health and wellness programs	116,652	486,929	603,581	521,679
Total Contributions	116,652	536,921	653,573	571,671
Total Expenditures	429,504	573,545	1,003,049	1,046,374
(Deficiency) excess revenue over expenditures	\$ 1,061,570	\$ 1,436	\$ 1,063,006	\$ (618,264)

See accompanying notes to the financial statements.

Valley Regional Hospital Foundation Statement of Changes in Net Assets

Year Ended March 31

	Unrestricted Funds	Restricted Fund Hospital Improvements and Capital Additions	Internally Restricted Chaplaincy Endowment Fund	Externally Restricted Endowment Fund	Total Restricted Funds	2021	2020
Balance, beginning of year	\$ 3,203,014	\$ 352,977	\$ 952,891	\$ 105,012	\$ 1,410,880	\$4,613,894	\$5,232,158
Interfund transfers	38,182	(38,182)			(38,182)	-	-
(Deficiency) excess of revenue over expenditures	1,061,570	1,436			1,436	1,063,006	(618,264)
Balance, end of year	<u>\$ 4,302,766</u>	<u>\$ 316,231</u>	<u>\$ 952,891</u>	<u>\$ 105,012</u>	<u>\$ 1,374,134</u>	<u>\$5,676,900</u>	<u>\$4,613,894</u>

See accompanying notes to the financial statements.

Valley Regional Hospital Foundation Statement of Financial Position

March 31

2021

2020

Assets

Current

Cash and cash equivalents	\$ -	\$ 146,496
Marketable securities at fair market value (Note 3)	5,742,148	4,543,548
Receivables	-	15,902
Harmonized sales tax receivable	6,113	14,666
Prepays	<u>4,799</u>	<u> </u>
	\$ 5,753,060	\$ 4,720,612

Liabilities

Current

Bank indebtedness	\$ 34,721	\$ -
Payables and accruals	<u>41,439</u>	<u>106,718</u>
	76,160	106,718

Surplus

Restricted fund	316,231	352,977
Internally restricted endowment fund	952,891	952,891
Externally restricted endowment fund	105,012	105,012
Unrestricted fund	<u>4,302,766</u>	<u>3,203,014</u>
	5,676,900	4,613,894
	\$ 5,753,060	\$ 4,720,612

Commitment (Note 5)

Approved on behalf of the Board

_____ Director

_____ Director

See accompanying notes to the financial statements.

Valley Regional Hospital Foundation Statement of Cash Flows

Year Ended March 31

2021

2020

Operating

Excess of revenue over expenditure	\$ 1,063,006	\$ (618,264)
Unrealized loss (gain) on investments	<u>(732,511)</u>	<u>301,769</u>

	330,495	(316,495)
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Change in non-cash operating working capital

Receivables	15,902	1,506
Harmonized sales tax receivable	8,553	(8,280)
Prepays	(4,799)	
Payables and accruals	<u>(65,279)</u>	<u>52,337</u>

	<u>284,872</u>	<u>(270,932)</u>
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Investing

Net change in investments	<u>(466,089)</u>	<u>194,955</u>
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Increase in cash and cash equivalents	(181,217)	(75,977)
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Cash and cash equivalents

Beginning of year	<u>146,496</u>	<u>222,473</u>
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End of year	\$ <u>(34,721)</u>	\$ <u>146,496</u>
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See accompanying notes to the financial statements.

Valley Regional Hospital Foundation

Notes to the Financial Statements

March 31, 2021

1. Nature of organization

The Foundation was formed on November 13, 1985, for the purpose of raising funds for the construction of a new regional hospital, including the purchase of related equipment, for the Annapolis Valley Region of Nova Scotia. On March 30, 1994, the Board of Directors of Valley Regional Hospital Foundation approved three resolutions to change the name, objects and bylaws of the Foundation. As a result of these changes, the Foundation will also raise funds for the purpose of improving and promoting health and health care within the Annapolis Valley and such other geographical areas within the Province of Nova Scotia. The Foundation is classified as a Public Foundation and qualifies for tax exempt status as a registered charity under the *Income Tax Act*. At a special general meeting of the Board of Directors held on June 15, 1999, the name of the Foundation was changed from Annapolis Valley Health Foundation to Valley Regional Hospital Foundation.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Part III of the CPA Canada Handbook - Canadian accounting standards for not-for-profit organizations.

Fund accounting

Assets, liabilities, revenues and expenses related to program delivery and administrative activities are reported in the Unrestricted Fund.

Assets, liabilities, externally restricted contributions and expenses related to donations for specific hospital improvements and equipment purchases are reported in the Hospital Improvements and Capital Additions Restricted Fund.

Assets, liabilities, externally restricted contributions and expenses related to the joint venture are reported in the Joint Capital Campaign Fund. Contributions to the redevelopment project are reported as expenditures in the Joint Capital Campaign Fund.

Endowment assets and endowment contributions are reported in the Endowment Fund.

Valley Regional Hospital Foundation

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

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 and reported amounts of revenue and expenses. Actual amounts could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and other institutions and term deposits with maturities of three months or less.

Revenue recognition - Contributions

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

Unrestricted contributions

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledges of future donations are not reflected in these financial statements until they are received.

Restricted donations

Restricted donations received for use in the Joint Capital Campaign for hospital redevelopment, are recognized as revenue in that Restricted Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted donations received for use in specific hospital improvements including equipment purchases for specific hospital departments are recognized as revenue in the Hospital Improvements and Capital Additions Restricted Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as revenue in the Endowment Fund when the amounts can be reasonably estimated and collection is reasonably assured.

Restricted contributions for which there is no related restricted fund as noted above are recorded in the Unrestricted Fund using the deferral method. Such restricted contributions are recognized as revenue of the Unrestricted Fund in the year in which the related expenses are incurred.

Bequests are recognized when received.

Revenue recognition - Gifts in kind

Contributions of materials and services are recognized at fair value when it can be reasonably estimated and when the materials and services are used in the normal course of the Foundation's operations and would otherwise have been purchased. During the year, \$26,372 in contributed shares were recorded in revenue and investments during the year.

Valley Regional Hospital Foundation

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Revenue recognition - Gifts in kind (continued)

Office space used in the conduct of the daily operating activities of the Foundation is provided by the Valley Regional Hospital, which operates under the Nova Scotia Health Authority. There is no rent charged to the Foundation and the fair value relating to the provision of this space is not determinable.

Revenue recognition - Investment income

Net investment income that is not externally restricted is recognized as it is earned in the Unrestricted Fund.

Net investment income that is externally restricted is recorded as revenue in the Restricted Fund.

Net investment income that is externally restricted for which there is no related restricted fund is recorded in the Unrestricted Fund using the deferral method, which recognizes the revenue when the related expenses are incurred.

Net investment income that is externally restricted and must be added to the resources held for endowment are recognized as revenue in the Endowment Fund. If there is no external restriction on net investment income earned in the endowment funds, it is recognized as revenue in the Unrestricted Fund.

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 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 must be measured at fair value.

All changes in fair value of the Foundation's investments in equities quoted in an active market and in bonds are recorded in the statement of operations. The Foundation uses the effective interest rate method to amortize for any premiums, discounts, transaction fees and financing fees to the statement of operations for those financial instruments measured at amortized cost. The financial instruments measured at amortized cost are cash and cash equivalents, receivables, payables and payable to Nova Scotia Health Authority.

Valley Regional Hospital Foundation

Notes to the Financial Statements

March 31, 2021

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

For financial assets measured at cost or amortized cost, the Foundation regularly assesses 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. Marketable securities at fair market value	<u>2021</u>	<u>2020</u>
Unrestricted Fund		
Equities quoted in an active market	\$ 3,357,778	\$ 2,772,403
Guaranteed investment certificates and cash equivalents	2,248,919	1,660,611
Endowment Fund		
Equities quoted in an active market	133,941	108,303
Guaranteed investment certificates and cash equivalents	<u>1,510</u>	<u>2,231</u>
	\$ <u>5,742,148</u>	\$ <u>4,543,548</u>

4. Investment income	<u>2021</u>	<u>2020</u>
Unrestricted Fund		
Dividend income	\$ 74,614	\$ 78,383
Gain on sale of investments	52,308	15,188
Interest income	<u>18,850</u>	<u>38,955</u>
	145,772	132,526
Externally Restricted Endowment Fund		
Income recognized in restricted fund	<u>3,945</u>	<u>3,058</u>
Total investment income	\$ <u>149,717</u>	\$ <u>135,584</u>

5. Commitment

The Foundation has authorized the purchase of miscellaneous equipment at a total cost of \$499,201. The disbursements are to be made on delivery of equipment, expected to occur during the 2021/22 fiscal year.

Valley Regional Hospital Foundation

Notes to the Financial Statements

March 31, 2021

6. Financial instruments

The Foundation is exposed to risk related to its financial instruments as follows:

Credit risk

The Foundation has determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfil their obligations could result in a financial loss for the Foundation.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk with respect to its investments in bonds.

Other price risk

The Foundation is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair values of these instruments.

Liquidity risk

The Foundation's liquidity risk represents the risk that the Foundation could encounter difficulty in meeting obligations associated with its financial liabilities. The Foundation is therefore exposed to liquidity risk with respect to its payables.

7. Impacts of COVID-19

Since December 31, 2019, 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. Management has indicated that they have not experienced any significant adverse financial impact as a result of COVID-19 during the fiscal year.