

**HOSPICE SOUTHEAST NEW BRUNSWICK INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**HOSPICE SOUTHEAST NEW BRUNSWICK INC.**

**DECEMBER 31, 2020**

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# LEBLANC SCOTT CPA

CHARTERED PROFESSIONAL ACCOUNTANTS  
1-721 Coverdale Road, Riverview Nb E1B 3L4

## Independent Auditors' Report

To the board of directors of Hospice Southeast New Brunswick Inc.:

### Qualified Opinion

We have audited the statement of financial position of Hospice Southeast New Brunswick Inc. as at December 31, 2020 and the statements of operations and changes in net assets and of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section and other matters of our report, the accompanying financial statements represent fairly, in all material respects, the financial position of Hospice Southeast New Brunswick Inc. as at December 31, 2020, and the 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

The Organization derives revenue from donations from the public, including gifts-in-kind. In common with many charitable organizations, the completeness of this revenue is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Hospice Southeast New Brunswick Inc.. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenditures, assets and net assets.

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.

# LEBLANC SCOTT CPA

CHARTERED PROFESSIONAL ACCOUNTANTS  
1-721 Coverdale Road, Riverview Nb E1B 3L4

## 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.

## Other Matters

Prior year numbers, including opening balance sheet for the current year, were subjected to a review engagement and were not audited.

*LEBLANC SCOTT*

Leblanc Scott CPA

Riverview, NB  
June 3, 2021

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

STATEMENT OF FINANCIAL POSITION

STATEMENT 1



AS AT DECEMBER 31, 2020

<b>ASSETS</b>		
	<b>2020</b>	<b>2019 Unaudited</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,501,736	\$ 1,157,426
Accounts receivable	15,021	5,481
Input tax credits rebate (Note 2)	117,125	22,476
Inventory	190	6,429
Prepaid	5,533	439,127
Short term investments (Note 5)	<u>-</u>	<u>257,000</u>
	1,639,605	1,887,939
<b>Long term investments (Note 5)</b>	-	50,955
<b>Property, plant and equipment (Note 3)</b>	2,916,205	46,964
<b>Other long term assets (Note 4)</b>	<u>863</u>	<u>6,626</u>
	<u>\$ 4,556,673</u>	<u>\$ 1,992,484</u>

**LIABILITIES & NET ASSETS**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 553,214	\$ 44,562
Due to government agencies (Note 7)	-	7,645
Deferred revenue (Note 1)	704	1,101,561
Current portion of long term debt (Note 8)	<u>15,323</u>	<u>-</u>
	569,241	1,153,768
<b>Long term debt (Note 8)</b>	<u>1,832,169</u>	<u>-</u>
	2,401,410	1,153,768
<b>Net Assets</b>		
Net unrestricted assets	<u>2,155,263</u>	<u>838,716</u>
	<u>\$ 4,556,673</u>	<u>\$ 1,992,484</u>

APPROVED ON BEHALF OF THE BOARD:

 Director  
 Director

The attached notes are an integral part of these financial statements.

**HOSPICE SOUTHEAST NEW BRUNSWICK INC.**

**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

**STATEMENT 2**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>2020</b>	<b>2019 Unaudited</b>
<b>Revenues</b>		
Donations	\$ 2,090,808	\$ 29,409
Hospice Shoppe	267,775	412,575
Grants (Note 10)	93,227	11,016
Fundraising & Special Events	23,730	72,902
Other	19,961	8,167
Pop-Up Shoppe	<u>-</u>	<u>46,929</u>
	2,495,501	580,998
<b>Major Campaign Costs</b>	649,036	-
<b>Hospice Shoppe Costs</b>	174,337	240,794
<b>Fundraising and Special Events Costs</b>	65,569	20,024
<b>Pop-Up Shoppe Costs</b>	<u>-</u>	<u>28,696</u>
	<u>888,942</u>	<u>289,514</u>
<b>Gross Profit</b>	1,606,559	291,484
<b>Expenses</b>		
Advertising and promotion	7,040	12,354
Amortization	30,120	11,563
Insurance	616	479
Interest and bank charges	5,145	3,400
Interest on long term debt	3,538	-
Meals and catering	2,288	2,828
New Horizons	13,289	6,269
Office expenses	30,698	27,717
Other operating expenses	241	659
Professional fees	23,280	18,839
Repairs and maintenance	774	-
Salaries and wages	155,471	128,433
Telephone and telecommunications	11,047	9,404
Travel and meetings	4,902	7,037
Utilities	<u>1,563</u>	<u>-</u>
	<u>290,012</u>	<u>228,982</u>
<b>Excess of operating revenues over expenses</b>	1,316,547	62,502
<b>Net assets, beginning of year</b>	<u>838,716</u>	<u>776,214</u>
<b>Net unrestricted assets, end of year</b>	<u>\$ 2,155,263</u>	<u>\$ 838,716</u>

The attached notes are an integral part of these financial statements.

## HOSPICE SOUTHEAST NEW BRUNSWICK INC.

## STATEMENT OF CASH FLOW

## STATEMENT 3

FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019 Unaudited
<b>Cash flows from operating activities</b>		
Excess of revenues over expenses	\$ 1,316,547	\$ 62,502
Amortization of tangible assets	27,678	11,090
Amortization of intangible assets	<u>2,442</u>	<u>473</u>
	1,346,667	74,065
<b>Changes in non-cash working capital</b>		
Short term investments	257,000	(157,000)
Account receivable	(104,189)	2,070
Prepaid expenses	433,594	(320,346)
Accounts payable and accrued liabilities	501,008	14,064
Inventory	<u>6,239</u>	<u>(6,429)</u>
	<u>1,093,652</u>	<u>(467,641)</u>
	<u>2,440,319</u>	<u>(393,576)</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in deferred revenue	(1,100,857)	1,097,815
Increase (decrease) in loans	<u>1,847,492</u>	<u>-</u>
	<u>746,635</u>	<u>1,097,815</u>
<b>Cash flows from investing activities</b>		
Additions to property, plant or equipment	(2,896,695)	(26,473)
Additions to intangibles and goodwill	(2,666)	(9,460)
Other long term assets	5,763	-
Long term investments	<u>50,955</u>	<u>216,202</u>
	<u>(2,842,643)</u>	<u>180,269</u>
<b>Increase (decrease) in cash and cash equivalents</b>	344,311	884,508
<b>Net cash and cash equivalents, beginning of year</b>	<u>1,157,425</u>	<u>272,917</u>
<b>Net cash and cash equivalents, end of year</b>	<u>\$ 1,501,736</u>	<u>\$ 1,157,425</u>
<b>Cash and cash equivalents consist of:</b>		
Cash and bank deposits	<u>\$ 1,501,736</u>	<u>\$ 1,157,425</u>

The attached notes are an integral part of these financial statements.

# HOSPICE SOUTHEAST NEW BRUNSWICK INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Description of major business activity

The organization is a not-for-profit registered charity incorporated under the laws of the Province of New Brunswick and is exempt from income tax as a non-profit organization. It exists to provide palliative clients and their families with emotional and physical support. The organization also operates the Hospice Shoppe, set up for the sole purpose of providing funds for the organizations programs and services. For a brief period in 2019, the organization also operated a "Pop-Up Shoppe", set up for the sole purpose of selling off slow moving inventory in order to provide funds for the programs and services.

The organization also changed it's name during 2019 to better reflect the geographic area served.

### 1. Summary of significant accounting policies

#### Basis of presentation

These financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-profit Organizations (ASNFPPO) and are in accordance with Canadian Generally Accepted Accounting Principles, below are the organizations significant accounting policies:

#### Cash and cash equivalents

Cash and cash equivalents are comprised of business chequing and cash balances held in the business investor accounts.

#### Accounts receivable

Accounts receivables consist of Canadian Emergency Wage Benefit receivable and HST rebates.

#### Revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions related to expenditures of future periods are deferred and recognized as revenue in the period in which the related expenses or capital acquisitions are incurred. Unrestricted contributions are recognized as received. Hospice and Pop-Up Shoppe revenues are recognized at the time of sale.

#### Inventory

Inventory as of fiscal 2020 consists of promotional T-Shirts (promotional coupons as of 2019).

#### Income taxes

The organization is exempt from income taxes under Section 149 (1) I.

#### Short term investments

Short term investments for 2019 consist of Guaranteed Investment Certificates with a maturity of less than 1 year from the date of the financial statements.



# HOSPICE SOUTHEAST NEW BRUNSWICK INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Long term investments

Long term investments for 2019 consist of Guaranteed Investment Certificates held with maturity dates outside 1 year and Canadian equity securities. Canadian equity is recorded at cost or fair market value at time of donation

### Use of estimates

When preparing financial statements according to ASNFPO, the Organization makes estimates and assumptions relating to:

- \* Reported amounts of revenue and expenses
- \* Reported amounts of assets and liabilities; and
- \* Disclosure of contingent assets and liabilities

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the Organization may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions. Estimates were used when accounting for certain items, such as the useful lives of capital assets and impairment of long-lived assets.

### Deferred revenue

Deferred revenue consists of funds received in the current period that are related to the subsequent supply of services or asset acquisitions. Deferred revenue is recognized as revenue when the future cost is incurred

### Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods.

Equipment	20%	declining balance method
Computer equipment	30%	declining balance method
Building	4%	declining balance method
Leasehold improvements	5 years	straight-line method

### Contributed materials and services

During the normal course of business, the Organization accepts various contributions of materials and services which are not always recognized in the financial statements. Specifically, inventory donated for the Hospice Shoppe and time donated by volunteers are not accounted for in the revenues and expenses. These contributions would not otherwise have been purchased or paid for as the Organization relies on the support of the community to operate.

# HOSPICE SOUTHEAST NEW BRUNSWICK INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

### Measurement uncertainty

The preparation of financial statements in conformity with ASNFPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Significant items subject to such estimates and assumptions includes the valuation allowances for accounts receivable, the estimated useful lives of capital assets, fair market value of goods donated. Actual results could differ from these estimates.

### 2. Input tax credits rebate

Investment tax credits receivable represents the GST/HST Public Service Bodies' Rebate available to registered charities allowing a claim of 50% of the federal and provincial portions of HST paid on purchases, and as a medical facility operator, 61% of the HST paid on purchases related to the facility and its operations.

### 3. Property, plant and equipment

	Cost	Amortization	Net 2020	Net 2019 Unaudited
Leasehold improvements	48,985	48,985	-	12,798
Buildings	2,353,714	12,116	2,341,598	23,306
Land	384,909	-	384,909	-
Furniture and equipment	176,609	-	176,609	-
Computers	8,868	4,991	3,877	1,873
Computer software	<u>1,878</u>	<u>1,878</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,974,963</u>	<u>\$ 67,970</u>	<u>\$ 2,906,993</u>	<u>\$ 37,977</u>
Website branding	<u>12,126</u>	<u>2,915</u>	<u>9,211</u>	<u>8,987</u>
	<u>\$ 2,987,089</u>	<u>\$ 70,885</u>	<u>\$ 2,916,204</u>	<u>\$ 46,964</u>

### 4. Other long term assets

Other long term assets represents deposits held by the Landlords. The sums are to be held by the Landlords, without liability for interest, as security for the faithful performance by the Tenant of all terms, covenants and conditions of the leases.

# HOSPICE SOUTHEAST NEW BRUNSWICK INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### 5. Investments

The organization has been saving funds for the purchase of real property to serve as a Hospice care center. Excess funds have been invested to earn market rates of return. The investments are comprised of the following

	2020	2019 Unaudited
Canadian equity	-	50,955
Short-term GIC's	<u>-</u>	<u>257,000</u>
	<u>\$ -</u>	<u>\$ 307,955</u>

### 6. Commitments

The organization leases premises at 640 Mountain Road in Moncton for \$1,344 per month plus taxes. This lease commenced November 1, 2018 and ended on December 31, 2019. The organization has chosen to continue the lease on a month to month basis. The lease was terminated May 31, 2021.

The Organization also entered into services agreements with a contractor to consult the Organization on setting up a 50/50 lottery as a primary fundraising stream for operational funding. The total committed cost of the contract was \$94,500, of which \$73,500 was due in 2021. The organization terminated the contract effective May 16, 2021 with total 2021 payments on the contract totalling \$50,796.

In 2019 the Organization leased the premises at 164 Collishaw Street in Moncton. The lease term ended on November 30, 2020 and the Organization purchased the building during the 2020 fiscal year.

### 7. Accounts payable and accrued charges

The following were included in the accounts payable and accrued liabilities at year end.

	2020	2019 Unaudited
Accounts payables	\$ 515,695	\$ 26,958
Accrued charges	33,092	12,466
Payroll liabilities	-	7,645
Gift certificates	2,819	2,606
Visa's payable	<u>1,608</u>	<u>2,532</u>
	<u>\$ 553,214</u>	<u>\$ 52,207</u>

**HOSPICE SOUTHEAST NEW BRUNSWICK INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**8. Long Term Debt**

	2020	2019 Unaudited
Notes payable with interest at 5% per annum due on a semi-annual basis. Principal re-payment due November 2022.	\$ 275,000	\$ -
Note payable with no interest. Principal re-payment due November 2023.	\$1,000,000	\$ -
TD Mortgage secured by property 164 Collishaw Street, with a fixed interest rate of 2.75% with a maturity date of November 2025.	\$ 542,492	\$ -
Canada Emergency Business Account Revolving Facility loan up to \$40,000 convertible to a Non-Revolving Term Loan on December 31, 2020. Any unutilized portion of the Revolving Facility shall be cancelled on the Conversion Date and the amount of the facility shall be reduced to an amount equal to the aggregate borrowings outstanding. The Borrower shall be entitled to a credit in the amount of 25% of the Converted Term Facility if repaid on or before December 31, 2022.	\$ <u>30,000</u>	\$ <u>-</u>
Less current portion	<u>15,323</u>	<u>-</u>
	<u>\$1,832,169</u>	<u>\$ -</u>

The aggregate amount of payments required in each of the next five years on the above indebtedness is as follows:

2021	15,323
2022	320,750
2023	1,016,188
2024	16,600
2025	17,100

As of the fiscal year end, the reporting requirements set out by the TD Mortgage have not been met. One of the requirements is for the review engagement financial statements to be finished within 120 calendar days of the fiscal year end.

# HOSPICE SOUTHEAST NEW BRUNSWICK INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### 9. Land transfer

The Humphrey, Lewisville, Sunny Brae Lions Club had previously committed to conditionally donating land located at 156 Peasant Street, Moncton, NB to the organization for the purpose of constructing a hospice residence. During 2020, the conditions of the donation were met, and the land was legally transferred to the organization in February 2020.

### 10. Grant revenue

The following amounts comprised the grant revenue at year end.

	2020	2019 Unaudited
NB Student Wage Grant	-	4,170
Canadian Emergency Wage Subsidy	79,494	-
Other Grants	<u>13,733</u>	<u>6,846</u>
	<u>\$ 93,227</u>	<u>\$ 11,016</u>

Included in grant revenue is the amount received from the Canadian government for the Canada Emergency Wage Subsidy. The Canada Emergency Wage Subsidy is a subsidy that has been made available to employers in Canada who have experienced a negative impact by the Covid-19 pandemic. This subsidy allows eligible employers to claim a portion of employee wages during qualifying periods. In the 2020 fiscal year, the Organization claimed \$79,494 from this subsidy.

### 11. Financial instruments

The Organization is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Organizations risk exposure and concentration.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organizations main credit risks relate to its accounts receivable, short term investments and long term investments.

#### 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 Organization is exposed to interest rate risk on its fixed and floating rate financial instruments. Fixed-interest instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating rate instruments subject the Organization to related cash flow risk.

# HOSPICE SOUTHEAST NEW BRUNSWICK INC.

## NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2020

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### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to this risk mainly in respect to its continued ability to generate cash flow through donations and fundraising to discharge its liabilities and obligations.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk, and other price risk. The organization's main market risks relate to its GIC holdings.

### 12. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

### 13. Other events

During the year ended December 31, 2020, there was a global outbreak of a novel coronavirus identified as "COVID-19". On March 11, 2020, the World Health Organization declared a global pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforced or self-imposed quarantine periods, social distancing, as well as business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets. Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and conditions of the organization and its operations in future periods.

**HOSPICE SOUTHEAST NEW BRUNSWICK INC.**  
**SCHEDULE 1 - HOSPICE SHOPPE COSTS**

**DECEMBER 31, 2020**

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	<b>2020</b>	<b>2019</b> <b>Unaudited</b>
Rent	64,585	69,811
Computer	2,280	2,252
Insurance	3,024	2,270
Utilities	10,245	10,412
Telephone	2,813	3,063
Supplies	3,811	3,250
Advertising	631	3,621
Wages	74,772	134,243
Bank fees	2,370	4,481
Repairs and maintenance	4,133	5,243
Property taxes	2,997	-
Other	2,676	2,148
	<u>\$ 174,337</u>	<u>\$ 240,794</u>