

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

DECEMBER 31, 2022

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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, 2022 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, 2022, 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 comparative numbers opening balances were subject to review engagement reporting for fiscal 2020, and not audited.

LEBLANC SCOTT

Leblanc Scott CPA

Riverview, NB
August 10, 2023

HOSPICE SOUTHEAST NEW BRUNSWICK INC.**STATEMENT OF FINANCIAL POSITION****STATEMENT 1****AS AT DECEMBER 31, 2022****ASSETS**

	2022	2021
Current assets		
Cash and cash equivalents	\$ 761,930	\$ 1,056,634
Input tax credits rebate (Note 2)	36,913	146,886
Due from related parties (Note 7)	20,369	10,239
Prepaid	<u>23,756</u>	<u>13,826</u>
	842,968	1,227,585
Property, plant and equipment (Note 3)	<u>5,205,290</u>	<u>5,481,890</u>
	<u>\$ 6,048,258</u>	<u>\$ 6,709,475</u>

LIABILITIES & NET ASSETS

Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 139,071	\$ 114,201
Deferred revenue (Note 1)	68,782	58,750
Current portion of long term debt (Note 4)	<u>516,269</u>	<u>15,829</u>
	724,122	188,780
Long term debt (Note 4)	<u>735,075</u>	<u>1,626,391</u>
	1,459,197	1,815,171
Net Assets		
Net unrestricted assets	<u>4,589,061</u>	<u>4,894,304</u>
	<u>\$ 6,048,258</u>	<u>\$ 6,709,475</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, 2022

	2022	2021
Revenues		
Donations	\$ 749,461	\$ 3,208,216
Hospice Shoppe	597,973	445,776
Grants (Note 6)	715,954	522,845
Fundraising & special events	117,356	107,964
Lottery - 50/50	200,649	107,936
Other	<u>27,984</u>	<u>29,026</u>
	2,409,377	4,421,763
Major campaign costs	-	22,304
Hospice Shoppe costs (Schedule 1)	289,923	182,388
Lottery - 50/50	225,291	234,060
Fundraising and special events costs	<u>28,521</u>	<u>29,168</u>
	<u>543,735</u>	<u>467,920</u>
Gross Profit	1,865,642	3,953,843
Expenses		
Advertising and promotion	11,519	26,519
Amortization	286,002	159,934
Insurance	16,178	6,797
Interest and bank charges	2,275	2,899
Interest on long term debt	14,460	13,752
Meals and catering	6,067	1,540
New Horizons	16,238	3,311
Office expenses	5,343	26,195
Other operating expenses	(2,624)	685
Professional fees	114,001	163,586
Property tax	13,627	-
Repairs and maintenance	39,379	15,156
Salaries and wages	1,518,152	705,249
Telephone and telecommunications	24,284	12,358
Travel and meetings	4,301	3,930
Utilities	34,572	10,297
Supplies	<u>67,111</u>	<u>62,595</u>
	<u>2,170,885</u>	<u>1,214,803</u>
Excess (deficit) of operating revenues over expenses	<u>(305,243)</u>	<u>2,739,040</u>
Net assets, beginning of year	<u>4,894,304</u>	<u>2,155,264</u>
Net unrestricted assets, end of year	<u>\$ 4,589,061</u>	<u>\$ 4,894,304</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, 2022

	2022	2021
Cash flows from operating activities		
Excess of revenues over expenses	\$ (305,243)	\$ 2,739,040
Amortization of tangible assets	283,087	157,492
Amortization of intangible assets	<u>2,915</u>	<u>2,442</u>
	(19,241)	2,898,974
Changes in non-cash working capital		
Account receivable	109,973	(14,741)
Loans/advances due from related parties	(10,130)	(10,239)
Prepaid expenses	(9,930)	(8,293)
Accounts payable and accrued liabilities	24,870	(439,013)
Inventory	<u>-</u>	<u>190</u>
	<u>114,783</u>	<u>(472,096)</u>
	<u>95,542</u>	<u>2,426,878</u>
Cash flows from financing activities		
Increase (decrease) in deferred revenue	10,032	58,046
Increase (decrease) of long term debt	(25,000)	(190,000)
Payment of long term debt	<u>(365,876)</u>	<u>(15,273)</u>
	<u>(380,844)</u>	<u>(147,227)</u>
Cash flows from investing activities		
Additions to property, plant or equipment	(18,399)	(2,722,955)
Proceeds on disposition of property, plant & equip	9,000	-
Additions to intangibles and goodwill	-	(2,664)
Other long term assets	<u>-</u>	<u>863</u>
	<u>(9,399)</u>	<u>(2,724,756)</u>
Increase (decrease) in cash and cash equivalents	(294,701)	(445,105)
Net cash and cash equivalents, beginning of year	<u>1,056,631</u>	<u>1,501,736</u>
Net cash and cash equivalents, end of year	<u>\$ 761,930</u>	<u>\$ 1,056,631</u>
Cash and cash equivalents consist of:		
Cash and bank deposits	<u>\$ 761,930</u>	<u>\$ 1,056,631</u>

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

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

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 operate a palliative care facility and to help 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.

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 (ASNFPO) 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 for 2022 and 2021 consist of 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.

Income taxes

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

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.

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

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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.

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.

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2022

3. Property, plant and equipment

	Cost	Amortization	Net 2022	Net 2021
Buildings	4,696,226	301,169	4,395,057	4,587,364
Land	384,909	-	384,909	384,909
Land improvements	53,409	5,644	47,765	43,848
Furniture and equipment	509,675	141,380	368,295	452,149
Computers	12,237	9,009	3,228	1,745
Computer software	<u>1,878</u>	<u>1,878</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,658,334</u>	<u>\$ 459,080</u>	<u>\$ 5,199,254</u>	<u>\$ 5,470,015</u>
Website branding	<u>14,790</u>	<u>8,754</u>	<u>6,036</u>	<u>11,875</u>
	<u>\$ 5,673,124</u>	<u>\$ 467,834</u>	<u>\$ 5,205,290</u>	<u>\$ 5,481,890</u>

4. Long Term Debt

	2022	2021
Notes payable with interest at 5% per annum due on a semi-annual basis. Principal re-payment due November 2023.	\$ 300,000	\$ 275,000
Note payable with no interest. Principal re-payments of \$200,000 due in 2023 and 2024.	\$ 400,000	\$ 800,000
TD Mortgage secured by property 164 Collishaw Street. Monthly blended payments of \$2,503.85 with a fixed interest rate of 2.75% and a maturity date of November 2025.	\$ 511,344	\$ 527,220
Canada Emergency Business Account Revolving Facility loan up to \$60,000 convertible to a Non-Revolver Term Loan on December 31, 2020. Any unutilised 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, 2023.	\$ <u>40,000</u>	\$ <u>40,000</u>
	1,251,344	1,642,220
Less current portion	<u>516,269</u>	<u>15,829</u>
	<u>\$ 735,075</u>	<u>\$ 1,626,391</u>

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

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

2023	516,269
2024	16,719
2025	17,182
2026	17,658
2027	18,147

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 year end financial statements to be finished within 120 calendar days of the fiscal year end.

5. Accounts payable and accrued charges

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

	2022	2021
Accounts payables	\$ 14,230	\$ 40,360
Accrued charges	119,985	68,389
Gift cards and certificates	3,447	3,712
Visa's payable	<u>1,409</u>	<u>1,740</u>
	<u>\$ 139,071</u>	<u>\$ 114,201</u>

6. Grant revenue

The following amounts comprised the grant revenue at year end.

	2022	2021
CEBA Loan Forgiveness	-	10,000
Canadian Emergency Wage Subsidy	-	14,948
Other Grants	954	21,230
Province of New Brunswick - MOA grant	<u>715,000</u>	<u>476,667</u>
	<u>\$ 715,954</u>	<u>\$ 522,845</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 2022 fiscal year, the Organization claimed \$0 from this subsidy (\$14,948 in 2021).

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

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7. Due from related parties

Amounts due from related parties consist of 50/50 donations collected by related foundation and currently held by that foundation.

8. 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.

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 it's GIC holdings.

9. Comparative figures

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

HOSPICE SOUTHEAST NEW BRUNSWICK INC.**SCHEDULE 1 - HOSPICE SHOPPE COSTS****DECEMBER 31, 2022**

	2022	2021
Expenses		
Advertising	9,331	9,051
Bank fees and interest	7,153	5,662
Computer	-	4,662
Insurance	3,156	5,363
Interest on LTD	14,170	14,776
Other	-	611
Cash over/short	(151)	(3,642)
Property tax	7,097	7,530
Rent	-	-
Repairs and maintenance	48,704	15,539
Supplies	9,118	7,334
Telephone	13,916	2,923
Utilities	14,544	14,965
Wages	162,885	97,614
	<u>\$ 289,923</u>	<u>\$ 182,388</u>