

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

DECEMBER 31, 2023

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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, 2023 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, 2023, 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.

LEBLANC SCOTT

Riverview, NB
September 27, 2024

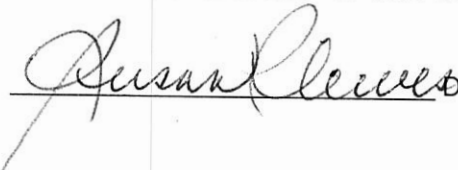
Chartered Professional Accountants

HOSPICE SOUTHEAST NEW BRUNSWICK INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

STATEMENT 1

ASSETS		
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 229,804	\$ 761,930
Accounts receivable	52,847	-
Input tax credits rebate	31,529	36,913
Prepaid expenses	<u>18,699</u>	<u>23,756</u>
	332,879	822,599
Due from related parties (Note 8)	20,369	20,369
Property, plant and equipment (Note 2)	4,951,289	5,199,253
Intangible assets (Note 3)	<u>3,078</u>	<u>6,036</u>
	<u><u>\$ 5,307,615</u></u>	<u><u>\$ 6,048,257</u></u>
LIABILITIES & NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 145,463	\$ 139,071
Deferred revenue (Note 9)	78,132	68,782
Current portion of long term debt (Note 6)	<u>735,033</u>	<u>516,269</u>
	958,628	724,122
Long term debt (Note 6)	<u>-</u>	<u>735,075</u>
	958,628	1,459,197
Net Assets	<u>4,348,987</u>	<u>4,589,060</u>
	<u><u>\$ 5,307,615</u></u>	<u><u>\$ 6,048,257</u></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, 2023

	<u>2023</u>	<u>2022</u>
Revenues		
Donations	\$ 607,363	\$ 749,462
Hospice Shoppe	820,933	597,973
Grants (Note 7)	1,016,219	715,954
Fundraising & special events	176,510	117,356
Lottery - 50/50	175,537	200,649
Other	47,574	27,984
	<u>2,844,136</u>	<u>2,409,378</u>
Project costs		
Hospice Shoppe costs (Schedule 1)	377,057	289,925
Lottery - 50/50	125,236	225,291
Fundraising and special events costs	30,866	28,521
	<u>533,159</u>	<u>543,737</u>
Net Revenue	<u>2,310,977</u>	<u>1,865,641</u>
Expenses		
Advertising and promotion	12,422	11,519
Amortization of tangible assets	256,126	280,163
Amortization of intangible assets	2,958	5,839
Insurance	18,814	16,178
Interest and bank charges	3,813	2,275
Interest on long term debt	14,879	14,460
New Horizons	-	16,238
Office expenses	4,150	5,343
Other operating expenses	21,275	7,825
Professional fees	20,630	43,601
Property tax	4,768	13,627
Repairs and maintenance	56,642	39,379
Salaries and wages	1,890,314	1,588,552
Telephone and telecommunications	41,891	24,284
Travel and meetings	8,003	10,368
Utilities	41,741	34,572
Supplies	152,624	56,662
	<u>2,551,050</u>	<u>2,170,885</u>
Deficit of operating revenues over expenses	<u>(240,073)</u>	<u>(305,244)</u>
Net unrestricted assets, beginning of year	<u>4,589,060</u>	<u>4,894,304</u>
Net unrestricted assets, end of year	<u>\$ 4,348,987</u>	<u>\$ 4,589,060</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, 2023

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Deficiency of revenues over expenses	\$ (240,073)	\$ (305,244)
Items not requiring an outlay of cash:		
Amortization of tangible assets	256,126	280,163
Amortization of intangible assets	<u>2,958</u>	<u>5,839</u>
	<u>19,011</u>	<u>(19,242)</u>
Changes in non-cash working capital		
Deferred revenue	9,350	10,032
Accounts receivable	(47,463)	109,973
Due from related parties	-	(10,130)
Prepaid expenses	5,057	(9,930)
Accounts payable and accrued liabilities	<u>6,392</u>	<u>24,870</u>
	<u>(26,664)</u>	<u>124,815</u>
	<u>(7,653)</u>	<u>105,573</u>
Cash flows from financing activities		
Repayment of long term debt	<u>(516,311)</u>	<u>(390,876)</u>
Cash flows from investing activities		
Additions to property, plant or equipment	(8,162)	(18,398)
Proceeds on disposition of property, plant & equip	<u>-</u>	<u>9,000</u>
	<u>(8,162)</u>	<u>(9,398)</u>
Increase (decrease) in cash and cash equivalents	(532,126)	(294,701)
Net cash and cash equivalents, beginning of year	<u>761,930</u>	<u>1,056,631</u>
Net cash and cash equivalents, end of year	<u><u>\$ 229,804</u></u>	<u><u>\$ 761,930</u></u>

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

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

Description of major business activity

Hospice Southeast New Brunswick (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. The Organization 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 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 (ASNFPPO) and are in accordance with Canadian Generally Accepted Accounting Principles, below are the Organization's significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

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.

Financial instruments

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

- cash and cash equivalents
- accounts receivable
- payables and accruals
- deferred revenue
- long-term debt

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

The organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures its financial assets and financial liabilities at amortized cost. The Organization removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in the statement of operations.

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

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.

Furniture & equipment	20%	declining balance method
Computers	30%	declining balance method
Building	4%	declining balance method
Land improvements	8%	declining balance method

Intangible assets

Intangible assets are stated at cost less accumulated amortization. Intangible assets are amortized over their estimated useful lives at the following rate and method.

Website	5 years	straight-line method
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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. Property, plant and equipment

	Cost	Accumulated amortization	Net 2023	Net 2022
Buildings	\$ 4,696,226	\$ 476,971	\$ 4,219,255	\$ 4,395,057
Land	384,909	-	384,909	384,909
Land improvements	53,409	9,465	43,944	47,765
Furniture and equipment	516,214	215,661	300,553	368,294
Computers	13,859	11,231	2,628	3,228
	<u>\$ 5,664,617</u>	<u>\$ 713,328</u>	<u>\$ 4,951,289</u>	<u>\$ 5,199,253</u>

3. Intangible Assets

	Cost	Accumulated amortization	Net 2023	Net 2022
Website	<u>\$ 14,790</u>	<u>\$ 11,712</u>	<u>\$ 3,078</u>	<u>\$ 6,036</u>

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

4. Accounts payable and accrued liabilities

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

	<u>2023</u>	<u>2022</u>
Accounts payables	\$ 41,617	\$ 14,230
Accrued charges	11,349	13,302
Accrued payroll	89,042	106,684
Gift cards and certificates	2,055	3,446
Credit cards payable	1,400	1,409
	<u>\$ 145,463</u>	<u>\$ 139,071</u>

5. Operating Loan

The Organization has an operating loan with a maximum authorized limit of \$300,000. The loan bears interest at a rate of bank prime plus 2.15% and is secured by real property and a general assignment of rents. There was no balance outstanding at the end of the year.

6. Long Term Debt

	<u>2023</u>	<u>2022</u>
Notes payable with interest at 5% per annum due on a semi-annual basis. Principal repaid in November 2023.	\$ -	\$ 300,000
Note payable with no interest. Principal re-payments of \$200,000 due in 2024.	200,000	400,000
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.	495,033	511,344
Canada Emergency Business Account Non-Revolver Term Loan of \$60,000. The Organization paid this loan in full during the fiscal year, and was entitled to a credit of 25% of the Term Loan.	<u>40,000</u>	<u>40,000</u>
	735,033	1,251,344
Less current portion	<u>735,033</u>	<u>516,269</u>
	<u>\$ -</u>	<u>\$ 735,075</u>

As of the fiscal year end, certain covenants set out by the TD Mortgage have not been met. One of the covenants is for the year end financial statements to be finished within 120 calendar days of the fiscal year end. The bank has not indicated the actions it may take and management is working to rectify the covenant position. Due to the covenants not being met, the TD Mortgage has been listed as current. Based on the contractual terms of the loan, the expected principal repayments over the next five years for all debt is as follows.

2024	256,721
2025	17,183
2026	17,659
2027	18,148
2028	18,650

HOSPICE SOUTHEAST NEW BRUNSWICK INC.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

7. Grant revenue

The following amounts comprised the grant revenue at year end.

	<u>2023</u>	<u>2022</u>
Other non-government grants	57,956	954
Other government grants	108,763	-
Province of New Brunswick - MOA grant	849,500	715,000
	<u>\$ 1,016,219</u>	<u>\$ 715,954</u>

8. Due from related parties

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

9. Deferred revenues

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

<u>Opening Deferred Revenue</u>	<u>Revenues Received</u>	<u>Recognized</u>	<u>Closing Deferred Revenue</u>
\$ <u>68,782</u>	\$ <u>212,843</u>	\$ <u>203,493</u>	\$ <u>78,132</u>

10. 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.

11. 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, 2023

	<u>2023</u>	<u>2022</u>
Expenses		
Advertising	\$ 15,227	\$ 9,333
Bank fees and interest	11,396	7,153
Cash over (short)	410	(151)
Food and travel	2,249	-
Insurance	3,381	3,156
Interest on LTD	13,777	14,170
Other	3,401	-
Professional fees	808	-
Property tax	7,515	7,097
Repairs and maintenance	33,004	48,704
Supplies	25,445	9,118
Telephone	16,195	13,916
Utilities	13,110	14,544
Wages	<u>231,139</u>	<u>162,885</u>
	<u>\$ 377,057</u>	<u>\$ 289,925</u>