Non-Consolidated Financial Statements of

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

And Independent Auditor’s Report thereon

Year ended March 31, 2024

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

To the Chair and Members of the Board of Directors

Qualified Opinion

We have audited the non-consolidated financial statements of Friends of The Moncton Hospital Foundation, Inc. (the Foundation), which comprise:

- the non-consolidated statement of financial position as at March 31, 2024
- the non-consolidated statement of operations and changes in fund balances for the year then ended
- the non-consolidated statement of cash flows for the year then ended
- and notes to the non-consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, except for the possible effects of the matter described in the ***"Basis for Qualified Opinion"*** section of our auditor’s report, the accompanying financial statements present fairly, in all material respects, the non-consolidated financial position of the Foundation as at March 31, 2024, and its non-consolidated results of operations and changes in fund balances, and its non-consolidated 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 this revenue 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:

- the assets reported in the non-consolidated statements of financial position as at March 31, 2024 and March 31, 2023;
- the revenues, excess of revenues over expenses, and the fund balances, at the beginning and end of the year, reported in the non-consolidated statements of operations for the years ended March 31, 2024 and March 31, 2023; and
- the excess of revenues over expenses reported in the non-consolidated statements of cash flows for the years ended March 31, 2024 and March 31, 2023.

Our opinion on the financial statements for the year ended March 31, 2023 was qualified 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 auditor's 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 Statements

Management is responsible for the preparation and fair presentation of the 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.

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 qualified 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 the 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 qualified 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.

- 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.

KPMG LLP

Chartered Professional Accountants

Moncton, Canada
June 28, 2024

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Non-Consolidated Statement of Financial Position

March 31, 2024, with comparative information for 2023

	Unspecified Funds	Specified Funds	Endowment Funds	2024 Total	2023 Total
Assets					
Cash and investments (note 2)	$ 5,309,436	$15,906,156	$11,897,082	$33,112,674	$ 29,888,156
Accounts receivable	12,283	–	–	12,283	15,940
Prepaid expenses	7,724	–	–	7,724	10,931
Investment in subsidiary (note 3)	3,393,650	–	–	3,393,650	3,229,222
	$ 8,723,093	$15,906,156	$11,897,082	$36,526,331	$ 33,144,249
Liabilities and Fund Balances					
Liabilities:					
Payable to The Moncton Hospital	$ 301,408	$ 962,775	$ –	$ 1,264,183	$ 1,300,488
Accrued liabilities	60,971	8,164	–	69,135	49,048
	362,379	970,939	–	1,333,318	1,349,536
Fund balances:					
Unrestricted	8,360,714	–	–	8,360,714	7,160,827
Externally restricted	–	14,935,217	–	14,935,217	14,444,841
Endowment (note 4)	–	–	11,897,082	11,897,082	10,189,045
	8,360,714	14,935,217	11,897,082	35,193,013	31,794,713
	$ 8,723,093	$15,906,156	$11,897,082	$36,526,331	$ 33,144,249

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Shane Esson
__________________________ Director

Mike Jenkins
__________________________ Director

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Non-Consolidated Statement of Operations and Changes in Fund Balances

Year ended March 31, 2024, with comparative information for 2023

	Unspecified Funds	Specified Funds	Endowment Funds	2024 Total	2023 Total
Revenues:					
Fundraising	$ 1,028,291	$ 2,795,049	$ 174,392	$ 3,997,732	$ 4,684,343
Lotteries, net (note 5)	236,157	85,634	–	321,791	299,006
	1,264,448	2,880,683	174,392	4,319,523	4,983,349
Investments, net (note 6)	1,452,975	(651)	1,363,014	2,815,338	467,859
	2,717,423	2,880,032	1,537,406	7,134,861	5,451,208
Expenses:					
Fundraising and administrative expenses (note 7)	1,554,648	100,385	101	1,655,134	1,560,079
Charitable programs	–	59,646	–	59,646	–
	1,554,648	160,031	101	1,714,780	1,560,079
Excess of revenues over expenses before the undernoted	1,162,775	2,720,001	1,537,305	5,420,081	3,891,129
Equity income from investment in subsidiary	164,428	–	–	164,428	64,403
Grants to The Moncton Hospital and other qualified donees	(32,786)	(2,153,423)	–	(2,186,209)	(1,404,393)
Excess of revenues over expenses	1,294,417	566,578	1,537,305	3,398,300	2,551,139
Fund balances, beginning of year	7,160,827	14,444,841	10,189,045	31,794,713	29,243,574
Transfer of funds during the year	(94,530)	(76,202)	170,732	–	–
Fund balances, end of year	$ 8,360,714	$14,935,217	$11,897,082	$35,193,013	$ 31,794,713

See accompanying notes to non-consolidated financial statements.

FRIENDS OF THE MONCTON HOSPITAL FOUNDATION, INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
Excess of revenues over expenses	$ 3,398,300	$ 2,551,139
Items not involving cash:		
Equity income from investment in subsidiary	(164,428)	(64,403)
Realized loss (gain) on investments	(367,936)	336,525
Unrealized gain on investments	(1,204,806)	(443,629)
Decrease (increase) in cash surrender value of life insurance	3,798	(9,492)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	3,657	(5,573)
Decrease (increase) in prepaid expenses	3,207	(732)
Increase (decrease) in payable to The Moncton Hospital	(36,305)	551,884
Increase in accrued liabilities	20,087	29,048
	1,655,574	2,944,767
Investing activity:		
Net increase in investments	(856,283)	(6,332,763)
Increase (decrease) in cash	799,291	(3,387,996)
Cash, beginning of year	7,532,450	10,920,446
Cash, end of year (note 2)	$ 8,331,741	$ 7,532,450

See accompanying notes to non-consolidated financial statements.

Friends of The Moncton Hospital Foundation, Inc. (the Foundation) is a not-for-profit organization without share capital incorporated under the laws of New Brunswick and its principal activities include receiving contributions, bequests and memorials to hold for investment and the application of income and capital to The Moncton Hospital to assist in its efforts to provide patient care. The Foundation is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies:

These non-consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants Canada Handbook.

(a) Financial instruments:

Financial instruments include cash and investments, accounts receivable, investment in subsidiary, payable to The Moncton Hospital, and accrued liabilities.

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value using closing prices. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its fixed income investments at fair value.

The Foundation accounts for its wholly-owned subsidiary, F.M.H. Management Ltd., using the equity method.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(b) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions which include donations and bequests. Restricted contributions are recognized as revenue of the appropriate restricted funds, be it Specified or Endowment.

The Unspecified Funds accounts for the Foundation’s program delivery and administrative activities. These funds report unrestricted resources. Unrestricted contributions are recognized as revenue of the Unspecified Funds in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

1. **Significant accounting policies (continued):**

(b) Revenue recognition (continued):

Interest and dividends are recorded on the accrual basis. Realized gain (loss) on sale of investments is the difference between proceeds received and the cost of the investment sold. All changes in fair value are recognized in investment income as part of the unrealized gain (loss) on investments. Other than investment income earned in the Endowment Funds, all investment income is recognized as revenue of the Unspecified Funds when earned (note 6).

(c) Capital assets:

The Foundation does not own capital assets. Premises are provided at no charge by the Horizon Health Network/Réseau de Santé Horizon.

(d) Contributed services:

Volunteers contribute significant hours per year to assist the Foundation in carrying out its campaigns and service delivery activities. Because of the difficulty of determining their fair value, volunteer contributed services are not recognized in the non-consolidated financial statements.

(e) Use of estimates:

The preparation of non-consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the non-consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

2. **Cash and investments:**

	2024	2023
Cash	$ 8,331,741	$ 7,532,450
Investments:		
Cash held at investment manager	33,853	15,088
Fixed income	2,032,375	2,546,513
Pooled funds	22,542,794	19,618,396
	24,609,022	22,179,997
Cash surrender value of life insurance policies	171,911	175,709
	$ 33,112,674	$ 29,888,156
Allocation of cash and investments:		
Unspecified Funds	$ 5,309,436	$ 4,215,022
Specified Funds	15,906,156	15,484,089
Endowment Funds	11,897,082	10,189,045
	$ 33,112,674	$ 29,888,156

3. Investment in subsidiary:

F.M.H. Management Ltd. (the subsidiary company) is incorporated under the New Brunswick Business Corporations Act and its principal activities include the rental and the maintenance of the Professional Arts Building at 100 Arden Street, Moncton, New Brunswick. The Foundation follows the practice of appointing two persons to the subsidiary company's Board of Directors and approving the remaining Directors. The investment in the subsidiary company is accounted for using the equity method.

Financial statements of the subsidiary company are available on request. Financial summaries of this entity as at December 31 (its fiscal year end) are as follows:

F.M.H. Management Ltd.

	2024	2023
Balance Sheet		
Total assets	$ 3,532,000	$ 3,357,000
Total liabilities	$ 138,000	$ 128,000
Shareholder's equity	3,394,000	3,229,000
	$ 3,532,000	$ 3,357,000
Results of Operations		
Total revenues	$ 1,805,000	$ 1,732,000
Total expenses (i)	1,640,000	1,679,000
Net earnings	$ 165,000	$ 53,000
Cash Flows		
Cash provided by operations	$ 410,000	$ 236,000
Cash provided by (used for) investing activities	(540,000)	20,000
Increase (decrease) in cash	$ (130,000)	$ 256,000

(i) Total expenses include contributions of $500,000 (2023 - $500,000) to the Foundation. The contribution is recorded in fundraising revenues in the Specified Funds.

4. Endowment:

Endowment fund balances are subject to internally and externally imposed restrictions stipulating that the resources be maintained permanently. Included in the endowment fund balance is $1,536,908 (2023 - $1,359,665) that has been internally endowed. The internally imposed endowments are subject to the approval by the Board of Directors and can be reversed by approval of the Board of Directors.

5. **Lotteries, net:**

			2024	2023
	Unspecified Funds	Specified Funds	Total	Total
Revenue	$ 279,128	$ 104,634	$ 383,762	$ 357,458
Expenses	(42,971)	(19,000)	(61,971)	(58,452)
	$ 236,157	$ 85,634	$ 321,791	$ 299,006

6. **Investments, net:**

				2024	2023
	Unspecified Funds	Specified Funds	Endowment Funds	Total	Total
Income:					
Interest and dividends	$ 959,296	$ –	$ 399,054	$ 1,358,350	$ 392,775
Realized gain (loss) on investments	104,223	177	263,536	367,936	(336,525)
Unrealized gain on investments	446,615	–	758,191	1,204,806	443,629
	1,510,134	177	1,420,781	2,931,092	499,879
Expenses:					
Brokerage fees	57,159	828	57,767	115,754	32,020
	$1,452,975	$ (651)	$ 1,363,014	$ 2,815,338	$ 467,859

7. **Fundraising and administrative expenses:**

				2024	2023
	Unspecified Funds	Specified Funds	Endowment Funds	Total	Total
Salaries and benefits	$1,033,880	$ 6,984	$ –	$ 1,040,864	$ 915,599
General and administrative	257,628	52,002	101	309,731	247,320
Communication and branding	213,657	38,679	–	252,336	237,720
Professional services	41,746	2,720	–	44,466	132,760
Board and staff education	7,737	–	–	7,737	26,680
	$1,554,648	$ 100,385	$ 101	$ 1,655,134	$ 1,560,079

8. Financial risks:

The Board of Directors has identified its major risks and concerns and has approved investment policy guidelines. Management monitors the risk and adherence to the policy guidelines. The Foundation engages knowledgeable investment managers who are charged with the responsibility of monitoring and mitigating the risks.

The Company has exposure to the following risks from its use of financial instruments:

a) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Foundation's investment, except for its investment in its subsidiary, are carried at fair value with fair value changes recognized in the non-consolidated statement of operations and changes in fund balances, all changes in market conditions will directly result in an increase (decrease) in fund balances. Market price risk is managed by the Foundation through construction of a diversified portfolio of instruments traded on various markets and across various industries.

b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. The Foundation maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. There has been no change to the risk exposures from 2023.

c) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Foundation. The Foundation is exposed to credit risk on its fixed income investments. The Foundation mitigates this risk by restricting fixed income investments to instruments with high quality credit ratings. There has been no change to the risk exposures from 2023.