



Financial Statements


Prince County Hospital Foundation Inc.

December 31, 2020

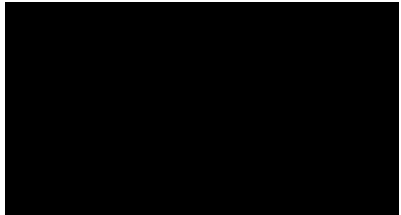
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Independent auditor's report



To the members of
The Board of
Prince County Hospital Foundation

Qualified Opinion

We have audited the financial statements of Prince County Hospital Foundation Inc. ("the Foundation"), which comprise the statement of financial position as at December 31, 2020, 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 Prince County Hospital Foundation Inc., as at December 31, 2020, and its 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

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 these revenues 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 donation revenues, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the financial statements for the year ended December 31, 2019 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 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 Statement

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 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 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 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.

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.

Summerside, Prince Edward Island



Chartered Professional Accountants

Prince County Hospital Foundation Inc.
Statement of operations

Year ended December 31

2020

2019

	<u>Unrestricted funds</u>			Endowment Fund	<u>Total</u>	<u>Total</u>
	General Operating Fund	Equipment Fund	Sub-total			
Revenue						
General contributions	\$ 1,313,675	\$ 1,768,412	\$ 3,082,087	\$ 635,815	\$ 3,717,902	\$ 2,550,061
Provincial government	-	250,000	250,000	-	250,000	500,000
Insurance policies	27,060	-	27,060	-	27,060	27,060
Trust fund income (Note 8/9)	6,694	8,558	15,252	-	15,252	47,868
Investment income (Note 3)	1,139,680	195,420	1,335,100	-	1,335,100	2,431,620
	<u>2,487,109</u>	<u>2,222,390</u>	<u>4,709,499</u>	<u>635,815</u>	<u>5,345,314</u>	<u>5,556,609</u>
Expenses						
Payments to Prince County						
Hospital for equipment	-	1,538,256	1,538,256	-	1,538,256	2,098,967
Salaries and benefits	244,314	-	244,314	-	244,314	245,042
Fund raising expenses	147,550	-	147,550	-	147,550	179,671
Insurance policies	29,175	-	29,175	-	29,175	29,175
Administration	48,377	-	48,377	-	48,377	69,725
Professional fees	46,227	-	46,227	-	46,227	45,855
Student Nurses						
Bursary	3,638	-	3,638	-	3,638	12,374
PCH Foundation continuing						
education bursary	6,288	-	6,288	-	6,288	5,415
Amortization	572	-	572	-	572	572
	<u>526,141</u>	<u>1,538,256</u>	<u>2,064,397</u>	<u>-</u>	<u>2,064,397</u>	<u>2,686,796</u>
Excess of revenues over expenses	\$ <u>1,960,968</u>	\$ <u>684,134</u>	\$ <u>2,645,102</u>	\$ <u>635,815</u>	\$ <u>3,280,917</u>	\$ <u>2,869,813</u>

See accompanying notes to the financial statements.

Prince County Hospital Foundation Inc.
Statement of financial position

December 31 2020 2019

Assets

Current

Cash and cash equivalents	\$ 5,716,673	\$ 4,698,207
Receivables	7,655	8,333
Prepaid expenses	<u>17,906</u>	<u>19,346</u>
	5,742,234	4,725,886

Investments (Note 4)	32,317,992	29,883,126
Tangible capital assets (Note 5)	<u>11,428</u>	<u>11,999</u>
	\$ 38,071,654	\$ 34,621,011

Liabilities

Current

Payables and accruals	\$ 66,295	\$ 76,733
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Due to Prince County Hospital - Education Fund	185,981	174,947
The [REDACTED] Trust (Note 8)	679,978	635,454
The [REDACTED] Trust (Note 9)	<u>1,956,377</u>	<u>1,831,771</u>
	2,888,631	2,718,905

Net assets

General Operating Fund (Page 5)	5,229,028	4,506,734
Equipment Fund (Page 5)	8,670,185	7,986,051
Internally restricted – Endowment (Page 5)	14,510,802	13,272,128
Endowment (Page 5)	<u>6,773,008</u>	<u>6,137,193</u>

Total net assets	<u>35,183,023</u>	<u>31,902,106</u>
	\$ 38,071,654	\$ 34,621,011

Commitments (Note 7)
 COVID-19 (Note 12)

On behalf of the Board

[REDACTED]

[REDACTED]

Prince County Hospital Foundation Inc.
Statement of changes in net assets

Year ended December 31

2020

2019

	General Operating Fund	Equipment Fund	Endowment		Total	Total
			Internally Restricted	Externally Restricted		
Opening balance	\$ 4,506,734	\$ 7,986,051	\$ 13,272,128	\$ 6,137,193	\$ 31,902,106	\$ 29,032,293
Excess revenues over expenditures	1,960,968	684,134	-	635,815	3,280,917	2,869,813
Inter-fund Transfers (Note 6)	(1,238,674)	-	1,238,674	-	-	-
Ending balance	\$ 5,229,028	\$ 8,670,185	\$ 14,510,802	\$ 6,773,008	\$ 35,183,023	\$ 31,902,106

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Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2020

1. Purpose of the organization

Prince County Hospital Foundation Inc. (the "Foundation") is an incorporated non-profit organization and is a registered charity under the Income Tax Act.

The Foundation was created to manage the endowment funds of the former Board of Trustees of Prince County Hospital (the "Hospital"), to accept new donations and gifts and to conduct fund raising activities. These funds are to be utilized solely for the benefit of the Hospital.

2. Summary of significant accounting policies

Basis of presentation

The Foundation's financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

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 at the date of the financial statements and management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Significant estimates include fair value measurement of investments.

Fund accounting

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

The general operating fund consists of unrestricted donations from general fund raising activities and other income sources outside of the major campaigns. These monies, together with the investment income earned, less all administration and fundraising costs, support the ongoing operating requirements of the Foundation. Restricted donations, if received, would be deferred until the external restriction is met by the Foundation, at which time the revenue is recognized.

The equipment fund consists of donations from campaign fund raising activities which include the campaigns of "Annual Vital Signs Campaign", "Lights for Life" and "Grass Roots and Cowboy Boots". All donations recognized through the equipment fund go directly towards the purchasing of capital equipment requirements of the Prince County Hospital.

The endowment fund includes donations where by the donor has externally restricted the principal amount of the donation in perpetuity. Unless otherwise stipulated by the donor, investment income earned is recognized through the general operating fund.

The Prince County Hospital Foundation Board has the ability to internally endow any excess of capital accumulated and income earned. By way of Board motion, these funds are transferred from the general operating and equipment fund to the internally restricted endowed fund.

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2020

2. Summary of significant accounting policies (cont'd)

Revenue recognition

Donations, which include bequests, are recorded when the cash is received. Outstanding pledges have not been recorded as donations in these financial statements.

Non-monetary donations, such as stock donations, are recorded at fair market value when received.

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting. Investment income includes interest income and dividend income. Amortization of bond investment premiums and discounts are recognized on a straight-line basis. Dividend income is recognized upon distribution. Changes in fair value are recognized when they occur.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank and short-term deposits with original maturities of three months or less.

Contributed materials and services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

The Foundation may recognize contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Collections

The Foundation does not recognize collections of rare books, cultural property, art work, etc. in the financial statements. The only significant collection held is the "Heritage Collection," assembled by the late [REDACTED]

Equipment funding transfers

Transfers to fund equipment purchases for the Prince County Hospital are recognized when paid through the equipment fund.

The Foundation makes an annual commitment to fund equipment purchases to the Hospital based upon a priority list of needs as presented by the Hospital. Funding is transferred to the Hospital when the purchase of equipment has been completed. At that time, an expense is recorded in the financial records of the Foundation. Differences between the annual commitments and the amounts forwarded are reported in Note 7 as Commitments.

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2020

2. Summary of significant accounting policies (cont'd)

Tangible capital assets

Purchased tangible capital assets greater than \$2,000 are recorded at cost. Contributed tangible capital assets are recorded at fair market value at the date of contribution.

Annual rates and bases of depreciation applied to write-off the cost less estimated salvage value of tangible capital assets over their estimated lives are as follows:

Building	35 years	straight line
Office equipment	20%	straight line

Financial assets and liabilities

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

- Cash and cash equivalents
- Investments
- Trade receivables
- Trade payables
- Due to Prince County Hospital
- Due to [REDACTED] Fund
- Due to [REDACTED] Fund

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

Upon initial measurement, the Foundation's financial assets and liabilities are measured at fair value. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred. In the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, the carrying value is increased or decreased by the amount of the related financing fees and transaction costs.

At each reporting date, the Foundation measures its financial assets and liabilities at amortized cost, including any impairment in the case of financial assets. Investments in equities that are traded in an active market are measured at fair value, along with certain bond investments, which the Foundation has elected to measure at fair value.

With respect to financial assets measured at amortized cost, the Foundation assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Foundation determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs.

Prince County Hospital Foundation Inc.
Notes to the financial statements

December 31, 2020

2. Summary of significant accounting policies (cont'd)

Income taxes

The Foundation is a not-for-profit organization and as such, is not subject to income taxes.

3. Investment income	<u>2020</u>	<u>2019</u>
Investment income, stocks and equities	\$ 310,350	\$ 280,014
Investment income, bonds	499,352	561,273
Amortization of bond premium/discount	58,635	105,304
Investment manager fees	(135,380)	(130,309)
Realized gain on sale of investments	735,016	236,400
Unrealized gain (loss) on investments	<u>(132,872)</u>	<u>1,378,938</u>
	\$ 1,335,100	\$ 2,431,620

4. Investments	<u>2020</u>	<u>2019</u>
Bonds, cost	\$ 18,105,305	\$ 15,899,815
Stocks, fair market value	<u>14,212,687</u>	<u>13,983,311</u>
	\$ 32,317,992	\$ 29,883,126

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Stocks	\$ <u>12,432,458</u>	\$ <u>14,212,687</u>	\$ <u>11,367,252</u>	\$ <u>13,983,311</u>

5. Tangible capital assets	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$ 20,000	\$ 8,572	\$ 11,428	\$ 11,999
Equipment	18,989	18,989	-	-
	\$ 38,989	\$ 27,562	\$ 11,428	\$ 11,999

Prince County Hospital Foundation Inc.
Notes to the financial statements

December 31, 2020

6. Inter-fund Transfers

During the year ended December 31, 2020, The Prince County Hospital Foundation Board approved the following transactions:

	General Operating Fund	Equipment Fund	Internally Ended
2020 Board endowments	\$ (1,238,674)	\$ -	\$ 1,238,674
Total inter-fund transfers	\$ (1,238,674)	\$ -	\$ 1,238,674

7. Commitments

The Foundation has commitments to Prince County Hospital as a result of its annual campaigns. These amounts will be satisfied as equipment designated in each year is acquired. Commitments at year end are as follows:

2018	\$ 724,696
2019	743,628
2020	631,456

8. [REDACTED]

During 2009, the Foundation became the Trustees of Record for the [REDACTED] Trust and the [REDACTED] Student Nurse Bursary Fund. Disbursement for the funds is guided by the original intentions of the [REDACTED]. The Foundation is acting as Custodian and Trustee of the invested funds. The beneficiaries of the Funds are hospitals located in Prince County and registered nursing students. These assets were created as a separate Trust in 1982 and are maintained separate from those of the Foundation.

			<u>2020</u>	<u>2019</u>
	<u>Memorial</u>	<u>Nurses</u>	<u>Total</u>	<u>Total</u>
Opening balance	\$ 318,055	\$ 317,399	\$ 635,454	\$ 581,764
Investment returns	17,678	15,011	32,689	41,417
Investment cost	(2,771)	(1,423)	(4,194)	(2,396)
Disbursements	(7,568)	(6,694)	(14,262)	(16,535)
Change in unrealized gain	15,172	15,119	30,291	31,204
Ending balance	\$ 340,566	\$ 339,412	\$ 679,978	\$ 635,454

During the year, the Foundation was disbursed \$6,694 (2019 - \$7,868) from the [REDACTED] Trust which has been recorded as revenue through the general operating fund.

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2020

9. [REDACTED]

During 2020, the Foundation became the Trustee of Record for [REDACTED] Trust. Disbursement for the funds is guided by the original intentions of the [REDACTED] and the Foundation is acting Custodian and Trustee of the invested funds. In addition, the sole remaining beneficiary of the Trust is the Prince County Hospital Foundation. As directed, the income earned from the investments shall be used to provide financial support to purchase equipment for the Prince County Hospital.

	<u>2020</u>	<u>2019</u>
	<u>Total</u>	<u>Total</u>
Opening balance	\$ 1,831,771	\$ -
Contribution	-	1,808,741
Investment return	35,537	12,607
Management fees	(6,163)	(3,904)
Disbursements to PCHF Equipment Fund	(8,558)	(40,000)
Change in unrealized gain	<u>103,790</u>	<u>54,327</u>
Ending balance	<u>\$ 1,956,377</u>	<u>\$ 1,831,771</u>

During the year, the Foundation was disbursed \$8,558 (2019 -\$40,000) from the [REDACTED] Trust which has been recorded as revenue through the Equipment fund.

10. Financial instruments

The Foundation's main financial risk exposure is detailed as follows:

Market risk

The Foundation's financial instruments expose it to market risk, in particular, interest rate risk, currency risk, resulting from its investing activities.

An investment policy is in place and its application is monitored by the Investment Committee and the Board of Directors. Diversification techniques are utilized to minimize risk.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to financial assets bearing fixed interest rates. The term deposits and bond investments bear interest at a fixed rate and the Foundation is, therefore, exposed to the risk of changes in fair values resulting from interest rate fluctuations.

Currency risk

Currency risk relates to the Foundation operating in foreign currencies and converting non Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

Prince County Hospital Foundation Inc.

Notes to the financial statements

December 31, 2020

10. Financial instruments (cont'd)

The Foundation's foreign exchange risk is related to its stock holdings. Foreign currency changes are monitored by the investment committee.

There have been no significant changes from the previous period in the exposure to risk or policies, procedures and methods used to measure the risk.

11. Carrying amount of financial assets by categories

	<u>2020</u>	<u>2019</u>
Investments measured at amortized cost:		
Cash and cash equivalents	\$ 5,716,673	\$ 4,698,207
Receivables	7,655	8,333
Bonds	<u>18,105,305</u>	<u>15,899,815</u>
	<u>23,829,633</u>	<u>20,606,355</u>
Investments measured at fair value:		
Stocks and bonds	<u>14,212,687</u>	<u>13,983,311</u>
Non-financial assets:		
Prepays	17,906	19,346
Tangible capital assets	<u>11,428</u>	<u>11,999</u>
	<u>29,334</u>	<u>31,345</u>
Total assets	<u>\$ 38,071,654</u>	<u>\$ 34,621,011</u>

12. COVID-19

Since December 31, 2020, 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. The duration and impact of the COVID-19 pandemic remains unclear at this time.

The Foundation has determined that these events have not had a material impact on the carrying value of assets and liabilities reported in these financial statements as at December 31, 2020. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods.
