

Audited Financial Statements of

**NEW BRUNSWICK MEDICAL EDUCATION
FOUNDATION INC.**

June 30, 2019

Independent Auditors' Report

To the Directors of New Brunswick Medical Education Foundation Inc.

Qualified Opinion

We have audited the accompanying financial statements of the New Brunswick Medical Education Foundation Inc. (the "Foundation"), which comprise of the statement of financial position as at June 30, 2019, and the statements of revenue, expenditures and changes in fund balances and cash flows 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, these financial statements present fairly, in all material respects, the financial position of the Foundation as at June 30, 2019, 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

In common with many charitable organizations, the Foundation receives revenues from the general public in the form of donations and other fundraising projects, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended June 30, 2019 was modified accordingly because of the possible effects of this limitation of 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 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 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.

Auditors' 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.

Beers Neal PC

Chartered Professional Accountants
Saint John, New Brunswick
September 12, 2019

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Statement of Financial Position as at June 30, 2019

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 419,314	\$ 518,206
Receivables	30,200	14,431
	449,514	532,637
INVESTMENTS (Note 4)	6,157,046	5,859,867
	\$ 6,606,560	\$ 6,392,504
CURRENT LIABILITY		
Payables	\$ 340,067	\$ 325,061
FUND BALANCES		
General fund	1,225,495	1,438,050
Endowment fund	5,033,998	4,623,393
Designated fund	7,000	6,000
	6,266,493	6,067,443
	\$ 6,606,560	\$ 6,392,504

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.
Statement of Revenue, Expenditures and Changes in Fund Balances
year ended June 30, 2019

	General Fund		Endowment Fund		Designated Fund		Total Funds	
	2019	2018	2019	2018	2019	2018	2019	2018
REVENUE								
Donations	\$ 90,274	\$ 269,402	\$ 167,000	\$ 123,873	\$ 72,000	\$ 72,500	\$ 329,274	\$ 465,775
Investment	37,541	35,256	148,104	134,258	-	-	185,645	169,514
Exchange gain (loss)	6,927	(8,580)	27,328	(32,673)	-	-	34,255	(41,253)
Unrealized gains	48,576	65,430	191,640	249,159	-	-	240,216	314,589
Realized loss on sale of investments	(17,421)	(4,212)	(68,731)	(16,038)	-	-	(86,152)	(20,250)
	165,897	357,296	465,341	458,579	72,000	72,500	703,238	888,375
GENERAL EXPENDITURES								
Awards and scholarships	26,500	26,500	180,500	175,500	96,000	97,500	303,000	299,500
Investment management fees	7,013	6,939	27,670	26,426	-	-	34,683	33,365
General support expenses	33,513	33,439	208,170	201,926	96,000	97,500	337,683	332,865
	112,619	27,437	53,886	85,441	-	-	166,505	112,878
	146,132	60,876	262,056	287,367	96,000	97,500	504,188	445,743
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	19,765	296,420	203,285	171,212	(24,000)	(25,000)	199,050	442,632
FUND BALANCE - BEGINNING OF YEAR, as previously reported	1,438,050	1,168,630	4,623,393	4,450,181	6,000	6,000	6,067,443	5,624,811
Inter-fund transfer	(232,320)	(27,000)	207,320	2,000	25,000	25,000	-	-
	1,205,730	1,141,630	4,830,713	4,452,181	31,000	31,000	6,067,443	5,624,811
FUND BALANCE - END OF YEAR	\$ 1,225,495	\$ 1,438,050	\$ 5,033,998	\$ 4,623,393	\$ 7,000	\$ 6,000	\$ 6,266,493	\$ 6,067,443

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Statement of Cash Flows year ended June 30, 2019

	<u>2019</u>	<u>2018</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenditures	\$ 199,050	\$ 442,632
Items not affecting cash:		
Unrealized gain on investments	(240,216)	(314,589)
Realized loss on sale of investments	86,152	20,250
Realized foreign exchange (gain) loss	(34,255)	41,253
	<u>10,731</u>	<u>189,546</u>
Changes in non-cash operating working capital items:		
Receivables	(15,769)	5,969
Payables	15,006	5,956
	<u>9,968</u>	<u>201,471</u>
INVESTING		
Purchase of investments	(815,634)	(300,804)
Proceeds on disposal of investments	706,774	229,829
	<u>(108,860)</u>	<u>(70,975)</u>
NET CASH (OUTFLOW) INFLOW	(98,892)	130,496
CASH POSITION, BEGINNING OF YEAR	518,206	387,710
CASH POSITION, END OF YEAR	\$ 419,314	\$ 518,206

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements
year ended June 30, 2019

1. DESCRIPTION OF ORGANIZATION

The New Brunswick Medical Education Foundation Inc. (the "Foundation") was established in 2015 by an Act of the New Brunswick Legislature to serve as a trustee of the investments, which are held for educational purposes. The Foundation is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The accounts of the Foundation are maintained in accordance with the principles of restricted fund accounting for contributions. For financial reporting purposes the accounts have been classified into the following funds:

- a) The General Fund reports amounts, including donations, fundraising and investment income, to be used to support charitable grants and administration. The donors have placed no restrictions on the use of the funds. The distribution of grants is determined by the Board of Directors.
- b) The Endowment Fund consists of contributions designated by donors to remain in perpetuity.
- c) The Designated Fund reports donation income to be used to support charitable grants only. The distribution of grants is determined by the Board of Directors.

Financial instruments

The Foundation initially measures its financial assets and liabilities at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument.

Financial assets including cash and cash equivalents and receivables are measured at amortized cost which approximates fair value due to the short-term nature of the assets.

Investments are measured at fair value using quoted market values. The unrealized gain or loss on investments is included in revenue for the year.

Financial liabilities, comprised of payables, are measured at amortized cost which approximates fair value due to the short-term nature of the liability.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements year ended June 30, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Revenue recognition

Donations are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the appropriate fund when earned.

General support expenses

General support expenses are allocated between the General Fund and the Endowment Fund based on a percentage of the particular fund in comparison to the sum of both funds.

Contributed marketable securities

Donated marketable securities are recorded at fair value where the value can be reasonably determined. The total amount of donated marketable securities recognized in the financial statements is \$Nil (2018 - \$72,018), which is included in donation income.

Government assistance

Government assistance is recorded as a reduction of the expenses for which the funding was received. The Foundation received \$12,313 (2018 - \$Nil) for assistance with wages.

Foreign exchange

Investments denominated in U.S. dollars are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Investment income and expenses are translated into Canadian dollars using average quarterly exchange rates prevailing during the year. All realized and unrealized gains and losses are included in income. During the year, the Foundation recorded a foreign exchange gain of \$34,255 (2018 - loss of \$41,253).

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Estimates are used for, but not limited to, determination of fair values and accruals. Actual results could vary from those estimates.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements

year ended June 30, 2019

3. FINANCIAL RISKS

The Foundation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a summation of the Foundation's risk exposure as at June 30, 2019:

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its payables.

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 Foundation's main credit risks relate to its receivables.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to market risk through its investments for which the value fluctuates with the quoted market price.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Certain of the Foundation's investments are in United States dollar or other foreign currency. Consequently, some assets are exposed to foreign currency fluctuations. The Foundation holds investments of \$1,562,411 (2018 - \$1,044,178) in foreign currency.

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 Foundation is exposed to interest rate risk on its fixed rate financial instruments. Fixed-rate instruments subject the Foundation to fair value risk, since fair value fluctuates inversely to changes in market interest rates.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements
year ended June 30, 2019

4. INVESTMENTS

	<u>2019</u>	<u>2018</u>
Fixed income	\$ 1,571,569	\$ 1,573,387
Canadian equity	2,834,267	2,844,999
U.S. equity	1,751,210	1,441,481
	<hr/>	<hr/>
	\$ 6,157,046	\$ 5,859,867

5. INCOME TAXES

The Foundation is registered as a public foundation under the Income Tax Act of Canada and is exempt from income taxes. As part of maintaining its registration, the Foundation must meet a disbursement quota as set by Canada Revenue Agency regulations. The Foundation has met this requirement in 2019.