

Audited Financial Statements of

**NEW BRUNSWICK MEDICAL EDUCATION
FOUNDATION INC.**

June 30, 2021

Independent Auditors' Report

To the Directors of the 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, 2021, and the statements of income, 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, 2021, 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, 2021 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
November 18, 2021

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Statement of Financial Position

as at June 30, 2021

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 489,052	\$ 487,113
Receivables (Note 4)	40,600	91,398
	529,652	578,511
INVESTMENTS (Note 5)	7,561,101	5,943,337
	\$ 8,090,753	\$ 6,521,848
CURRENT LIABILITY		
Payables (Note 6)	\$ 408,290	\$ 327,483
FUND BALANCES		
General fund	1,428,005	1,210,914
Endowment fund	6,252,458	4,981,451
Designated fund	2,000	2,000
	7,682,463	6,194,365
	\$ 8,090,753	\$ 6,521,848

Note 8

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.
Statement of Income, Expenditures and Changes in Fund Balances
year ended June 30, 2021

	General Fund		Endowment Fund		Designated Fund		Total Funds	
	2021	2020	2021	2020	2021	2020	2021	2020
REVENUE								
Donations	\$ 150,484	\$ 144,755	\$ 493,431	\$ 216,836	\$ 132,500	\$ 72,500	\$ 776,415	\$ 434,091
Investment	34,452	37,592	147,063	154,417	-	-	181,515	192,009
Exchange (loss) gain	(9,126)	14,626	(38,957)	60,081	-	-	(48,083)	74,707
Unrealized gains (losses)	229,072	(47,742)	977,840	(196,113)	-	-	1,206,912	(243,855)
Realized (loss) gain on sale of investments	(1,237)	889	(5,281)	3,650	-	-	(6,518)	4,539
	403,645	150,120	1,574,096	238,871	132,500	72,500	2,110,241	461,491
GENERAL EXPENDITURES								
Awards and scholarships	37,000	27,000	200,500	199,500	132,500	77,500	370,000	304,000
Investment management fees	7,424	7,151	31,691	29,374	-	-	39,115	36,525
General support expenses	44,424	34,151	232,191	228,874	132,500	77,500	409,115	340,525
	137,130	120,550	75,898	72,544	-	-	213,028	193,094
	181,554	154,701	308,089	301,418	132,500	77,500	622,143	533,619
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	222,091	(4,581)	1,266,007	(62,547)	-	(5,000)	1,488,098	(72,128)
FUND BALANCE - BEGINNING OF YEAR	1,210,914	1,225,495	4,981,451	5,033,998	2,000	7,000	6,194,365	6,266,493
Inter-fund transfer	(5,000)	(10,000)	5,000	10,000	-	-	-	-
	1,205,914	1,215,495	4,986,451	5,043,998	2,000	7,000	6,194,365	6,266,493
FUND BALANCE - END OF YEAR	\$ 1,428,005	\$ 1,210,914	\$ 6,252,458	\$ 4,981,451	\$ 2,000	\$ 2,000	\$ 7,682,463	\$ 6,194,365

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Statement of Cash Flows year ended June 30, 2021

	<u>2021</u>	<u>2020</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess (deficiency) of revenue over expenditures	\$ 1,488,098	\$ (72,128)
Items not affecting cash:		
Unrealized (gain) loss on investments	(1,206,912)	243,855
Cost of share donation (Note 8)	(128,724)	-
Realized loss (gain) on sale of investments	6,518	(4,539)
Realized foreign exchange loss (gain)	48,083	(74,707)
	<u>207,063</u>	92,481
Changes in non-cash operating working capital items:		
Receivables	50,798	(61,198)
Payables	80,807	(12,584)
	<u>338,668</u>	18,699
INVESTING		
Purchase of investments	(1,028,056)	(614,407)
Proceeds on disposal of investments	691,327	663,507
	<u>(336,729)</u>	49,100
NET CASH INFLOW	1,939	67,799
CASH POSITION, BEGINNING OF YEAR	487,113	419,314
CASH POSITION, END OF YEAR	\$ 489,052	\$ 487,113

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements year ended June 30, 2021

1. NATURE AND CONTINUANCE OF OPERATIONS

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.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from novel coronavirus ("COVID-19"). The Foundation continues to operate and move its business actively forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. If the financial markets and/or the overall economy are impacted for an extended period the financial results of the Foundation may be materially adversely affected.

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.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements

year ended June 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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

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.

Government assistance

Government assistance is recorded as a reduction of the expenses for which the funding was received. The Foundation received \$Nil (2020 - \$2,298) to assist 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 loss of \$48,083 (2020 - gain of \$74,707).

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements

year ended June 30, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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, allowance for doubtful accounts and accruals. Actual results could vary from those estimates.

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, 2021:

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 \$1,738,581 (2020 - \$1,213,019) in foreign currency.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements year ended June 30, 2021

3. FINANCIAL RISKS (continued)

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.

4. RECEIVABLES

	<u>2021</u>	<u>2020</u>
Trade receivables	\$ -	\$ 2,298
Donations	36,600	83,000
HST receivable	4,000	6,100
	<u>\$ 40,600</u>	<u>\$ 91,398</u>

5. INVESTMENTS

	<u>2021</u>	<u>2020</u>
Fixed income	\$ 1,419,016	\$ 1,512,574
Canadian equity	3,792,677	2,438,076
U.S. equity	2,349,408	1,992,687
	<u>\$ 7,561,101</u>	<u>\$ 5,943,337</u>

6. PAYABLES

	<u>2021</u>	<u>2020</u>
Trade payables	\$ 22,921	\$ 22,354
Scholarships	382,000	304,000
Government remittances	3,369	1,129
	<u>\$ 408,290</u>	<u>\$ 327,483</u>

7. 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 2021.

8. NON-CASH TRANSACTION

During the year, the Foundation received share donations for total proceeds of \$128,724 (2020 - \$Nil).