

Queen Elizabeth Hospital Foundation Inc.

Financial Statements
June 30, 2021



Member of The AC Group of Independent Accounting Firms

September 23, 2021

Independent Auditor's Report

To the Members of Queen Elizabeth Hospital Foundation Inc.

Qualified Opinion

We have audited the accompanying financial statements of Queen Elizabeth Hospital Foundation Inc., which comprise the statement of financial position as at June 30, 2021, 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 Queen Elizabeth Hospital Foundation Inc. 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 not-for-profit organizations, Queen Elizabeth Hospital Foundation Inc. derives revenue from donations, bequests and signature events, 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 Queen Elizabeth Hospital Foundation Inc. Therefore, we were not able to determine whether any adjustments might be necessary to donations, bequests and signature events revenue, excess revenue (expenses) for the year, and cash flows for the years ended June 30, 2021 and June 30, 2020, current assets as at June 30, 2021 and June 30, 2020, and net assets as at July 1 and June 30 for both the 2021 and 2020 years. Our audit opinion on the financial statements for the year ended June 30, 2020 was modified accordingly because of the possible effects of the 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 Queen Elizabeth Hospital Foundation Inc. 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 audit opinion.

Other information

Management is responsible for other information. The other information comprises the Annual Report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

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 Queen Elizabeth Hospital Foundation Inc.'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 Queen Elizabeth Hospital Foundation Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Queen Elizabeth Hospital Foundation Inc.'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 Queen Elizabeth Hospital Foundation Inc.'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 Queen Elizabeth Hospital Foundation Inc.'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 Queen Elizabeth Hospital Foundation Inc. 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.

Arsenault Best Cameron Ellis

Chartered Professional Accountants

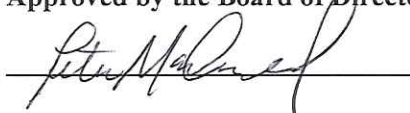
Queen Elizabeth Hospital Foundation Inc.

Statement of Financial Position

As at June 30, 2021

			2021	2020
	Operating Fund	Restricted Funds	Total	Total
	\$	\$	\$	\$
Assets				
Current assets				
Cash	518,062	1,025,718	1,543,780	1,257,249
HST receivable	8,793	4,364	13,157	6,571
	526,855	1,030,082	1,556,937	1,263,820
Amount due between funds	784,924	(784,924)	-	-
Long-term investments (note 4)	8,267,273	31,831,141	40,098,414	31,371,445
Capital assets (note 5)	19,132	-	19,132	-
	9,598,184	32,076,299	41,674,483	32,635,265
Liabilities				
Current liabilities				
Bank advances	-	-	-	184,487
Accounts payable and accrued liabilities	87,268	-	87,268	44,451
	87,268	-	87,268	228,938
Retirement allowance obligations (note 8)	58,553	-	58,553	58,167
	145,821	-	145,821	287,105
Net Assets				
Restricted				
Endowment Fund				
Externally restricted	-	8,127,227	8,127,227	7,457,479
Internally restricted	-	21,574,195	21,574,195	16,017,529
	-	29,701,422	29,701,422	23,475,008
MacLauchlan Fund				
Externally restricted	-	2,374,877	2,374,877	2,120,638
	-	32,076,299	32,076,299	25,595,646
Unrestricted (note 10)	9,452,363	-	9,452,363	6,752,514
	9,452,363	32,076,299	41,528,662	32,348,160
	9,598,184	32,076,299	41,674,483	32,635,265

Approved by the Board of Directors

 Director

 Director

(3)

Queen Elizabeth Hospital Foundation Inc.

Statement Changes in Net Assets

For the year ended June 30, 2021

			2021	2020
	Operating Fund \$	Restricted Funds \$	Total \$	Total \$
Net assets - Beginning of year	6,752,514	25,595,646	32,348,160	32,855,783
Excess revenue (expenses) for the year	3,699,849	5,480,653	9,180,502	(507,623)
Transfers between funds (note 9)	(1,000,000)	1,000,000	-	-
Net assets - End of year	9,452,363	32,076,299	41,528,662	32,348,160

Queen Elizabeth Hospital Foundation Inc.

Statement of Operations

For the year ended June 30, 2021

			2021	2020
	Operating Fund	Restricted Funds	Total	Total
	\$	\$	\$	\$
Revenue				
Donations				
Individuals (note 3)	1,963,672	662,556	2,626,228	1,341,542
Community groups and organizations (note 11)	260,177	-	260,177	188,636
Corporations	298,510	-	298,510	534,632
Memorials	135,758	-	135,758	135,031
Queen Elizabeth Hospital family	207,612	-	207,612	266,176
Signature events	1,184,819	-	1,184,819	776,139
Bequests	28,469	798,072	826,541	1,012,127
Provincial government	1,500,000	-	1,500,000	-
Investment income (note 4)	1,710,846	143,299	1,854,145	1,522,816
	7,289,863	1,603,927	8,893,790	5,777,099
Unrealized gain (loss) on long-term investments	352,296	3,955,725	4,308,021	(1,232,680)
	7,642,159	5,559,652	13,201,811	4,544,419
Expenses				
Wages and levies (note 8)	526,989	-	526,989	508,317
Contract services	12,008	-	12,008	14,631
General and administrative	57,013	-	57,013	41,312
Bank and investment charges (note 6)	173,637	10,888	184,525	166,165
Annual campaign	57,280	-	57,280	66,500
Signature events	125,116	-	125,116	34,777
Amortization	4,783	-	4,783	-
	956,826	10,888	967,714	831,702
Insurance premiums (note 3)	83,193	-	83,193	42,692
	1,040,019	10,888	1,050,907	874,394
Earnings from operations	6,602,140	5,548,764	12,150,904	3,670,025
Donations to Queen Elizabeth Hospital (note 12)	2,902,291	68,111	2,970,402	4,177,648
Excess revenue (expenses) for the year	3,699,849	5,480,653	9,180,502	(507,623)

Queen Elizabeth Hospital Foundation Inc.

Statement of Cash Flows

For the year ended June 30, 2021

			2021	2020
	Operating Fund \$	Restricted Funds \$	Total \$	Total \$
Cash provided by (used in)				
Operating activities				
Excess revenue (expenses) for the year	3,699,849	5,480,653	9,180,502	(507,623)
Items not affecting cash				
Unrealized loss (gain) on long-term investments	(352,296)	(3,955,725)	(4,308,021)	1,232,680
Amortization	4,783	-	4,783	-
	3,352,336	1,524,928	4,877,264	725,057
Net change in non-cash working capital items				
Decrease (increase) in HST receivable	(6,117)	(470)	(6,587)	2,192
Increase (decrease) in accounts payable and accrued liabilities	42,817	-	42,817	(34,200)
Increase in retirement allowance obligation	386	-	386	58,167
	3,389,422	1,524,458	4,913,880	751,216
Investing activities				
Transfers between funds	(1,000,000)	1,000,000	-	-
Decrease (increase) in amount due between funds	(214,221)	214,221	-	-
Increase in long-term investments	(1,448,737)	(2,970,210)	(4,418,947)	(309,437)
Purchase of capital assets	(23,915)	-	(23,915)	-
	(2,686,873)	(1,755,989)	(4,442,862)	(309,437)
Increase (decrease) in cash	702,549	(231,531)	471,018	441,779
Cash (bank advances) - Beginning of year	(184,487)	1,257,249	1,072,762	630,983
Cash - End of year	518,062	1,025,718	1,543,780	1,072,762
Cash consists of				
Cash	518,062	1,025,718	1,543,780	1,257,249
Bank advances	-	-	-	(184,487)
	518,062	1,025,718	1,543,780	1,072,762

Queen Elizabeth Hospital Foundation Inc.

Notes to Financial Statements

June 30, 2021

1 Purpose of the organization

The mission of the Queen Elizabeth Hospital Foundation Inc. is to raise funds for medical equipment for the Queen Elizabeth Hospital to assist the Queen Elizabeth Hospital family to provide the best health care possible. The Queen Elizabeth Hospital Foundation Inc. directs funds to the Queen Elizabeth Hospital to purchase medical equipment to meet the needs of Prince Edward Islanders.

The Queen Elizabeth Hospital Foundation Inc. was incorporated without share capital under the laws of the Province of Prince Edward Island on June 21, 1984. The Foundation is a Registered Charity under the provisions of the Income Tax Act, and accordingly is not taxable.

2 Summary of significant accounting policies

Cash

Cash consists of cash on hand and bank balances.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization of office furniture is calculated using the straight-line method over 5 years. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

Fund accounting

The Queen Elizabeth Hospital Foundation Inc. follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Foundation's basic fundraising activities, including the annual campaign and various special projects.

The Foundation's Restricted Funds are comprised of the following funds:

Externally restricted

The Foundation Endowment Fund was originally established by the former P.E.I. Hospital, subsequently held by the Queen Elizabeth Hospital, and transferred to the Foundation in 1994. The original principal is not available for use, as restricted by the donors. Further donations that are similarly restricted by donors are added to this fund. The annual income from this Fund is available for use at the discretion of the Foundation's Board of Directors.

In 2005, a donation was made to the Foundation, to be used for equipment at the Queen Elizabeth Hospital as specified by the donor. The Board of Directors agreed to put this donation, along with accumulated interest and any future donations by the donor, into a separate investment fund account called the MacLauchlan Fund until the specified equipment purchases are made.

Queen Elizabeth Hospital Foundation Inc.

Notes to Financial Statements

June 30, 2021

Internally restricted

In 2001, the Board of Directors adopted a policy to allocate all unrestricted bequests to increase the Foundation's Endowment Fund.

The principal amount of the internally restricted Endowment Fund may not be used without the prior approval of the Foundation's Board of Directors. Annual income from this Fund is available for use at the discretion of the Foundation's Board of Directors.

Revenue recognition

Donations, revenue from signature events, bequests and provincial government are recognized as revenue when received.

Investment income on Operating Fund and Endowment Fund assets is recognized as revenue of the Operating Fund when earned. Investment income on MacLauchlan Fund assets is recognized as revenue of that Fund when earned.

Contributed assets and services

Contributed assets are recorded as donations at fair market value at the date of contribution.

Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Use of estimates

The preparation of these 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 and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the current period. Significant items subject to such estimates and assumptions include the estimated useful life of capital assets. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

Since January 31, 2020, the outbreak of COVID-19 (coronavirus) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally resulting in an economic slowdown, and global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the outcome of government and central bank interventions.

In management's estimation, these events have not had a material unrecorded impact on the carrying value of assets and liabilities reported in these financial statements as at June 30, 2021. The duration and impact of the COVID-19 pandemic remains unclear at this time. Therefore, 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.

Queen Elizabeth Hospital Foundation Inc.

Notes to Financial Statements

June 30, 2021

Financial instruments

(a) Measurement of financial instruments

Queen Elizabeth Hospital Foundation Inc.'s financial instruments consist of cash, HST receivable, long-term investments and accounts payable and accrued liabilities.

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. This fair value amount is then deemed to be the amortized cost of the financial instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for derivatives and equity securities quoted in an active market which are measured at fair value. Changes in fair value are recognized in excess revenue (expenses).

(b) Impairment

For financial assets measured at cost or amortized cost, the Foundation determines whether there are indications of possible impairment. When there is an indication of impairment, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess revenue (expenses). A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment note been recognized previously. The amount of the reversal is recognized in excess revenue (expenses).

(c) Risks

Transacting in financial instruments exposes the Foundation to certain financial risks and uncertainties. These risks include:

- i) Interest rate risk: The Foundation is exposed to interest rate risk due to the variable rate interest on their bank advances. Changes in the bank lending rates can cause fluctuations in cash flows and interest expense. The Foundation does not use any derivatives to manage this risk.
- ii) Market risk: The Foundation's investment in publicly traded securities exposes the Foundation to market risk since these equity investments are subject to price fluctuations in the open market. To mitigate this risk, the Board has an investment policy statement and procedures to define the types of investments that the Foundation can invest in as well as thresholds for allocations to each investment type.

3 Insurance premiums

During the year, \$83,193 (2020 - \$42,692) was donated to the Queen Elizabeth Hospital Foundation Inc. from numerous donors which is equivalent to premiums paid on insurance policies with the Foundation named as owner and beneficiary. The Foundation pays the annual premiums on the policies, recorded in insurance premiums expense on the Statement of Operations, and receives equivalent amounts as cash donations from the policyholders, which are included in donations revenue.

Queen Elizabeth Hospital Foundation Inc.

Notes to Financial Statements

June 30, 2021

4 Long-term investments

The adjusted cost base of long-term investments at June 30, 2021 is \$33,933,318 (2020 - \$28,263,201).

In 2021, \$146,071 of interest and \$787,573 of capital gains are included in investment income (2020 - \$218,129 of interest and \$534,056 of capital gains).

5 Capital assets

	2021		2020	
	Cost \$	Accumulated amortization \$	Total \$	Total \$
Office furniture	23,915	4,783	19,132	-

6 Investment counsel fees

Investment counsel fees of \$155,991 (2020 - \$144,902) are included in bank and investment charges.

7 Pledges receivable

The Foundation had \$676,973 (2020 - \$570,710) in pledges receivable at June 30, 2021, which are not recorded until money is received.

8 Post-retirement obligations

As required under employment agreements set in conjunction with Queen Elizabeth Hospital, employees of Queen Elizabeth Hospital Foundation Inc. who meet stated criteria are eligible to receive a retirement allowance at the time of their retirement. Amounts paid to employees at retirement are based on the pay rate in effect at the retirement date, calculated as five days of pay for each year of eligible service up to a maximum of 150 days. An estimate of this liability is accrued once an employee reaches eligibility criteria of five years of service. No actuarial calculation has been performed.

Employees of the Foundation participate in the Province of Prince Edward Island's Public Sector Pension Plan (the Plan). The Plan is a multi-employer defined benefit pension plan. The Foundation made contributions of \$27,951 in fiscal 2021 (2020 - \$20,438) to match employee contributions to the plan of 8.09% of their pensionable salary up to the year's maximum pensionable earnings, plus 9.75% of pensionable salary in excess of the year's maximum pensionable earnings. Any unfunded liability is the responsibility of the Province of Prince Edward Island and therefore no pension liability has been recognized in these financial statements.

9 Transfers between funds

In 2021, the Board of Directors approved a transfer of \$1,000,000 from the Operating Fund to the Endowment Fund due to excess funds associated with a market recovery and performance on investments.

Queen Elizabeth Hospital Foundation Inc.

Notes to Financial Statements

June 30, 2021

10 Commitments

The Queen Elizabeth Hospital Foundation Inc. has committed to pay \$10,474,954 for medical equipment purchases by the Queen Elizabeth Hospital.

It is estimated that an additional \$37,737,088 in equipment needs will be required within the next five years.

11 Related parties

In 2001, the US Friends of Queen Elizabeth Hospital, Inc. was incorporated under the laws of the state of Massachusetts. The corporation is organized for charitable and educational purposes, including raising funds for medical equipment and general financial support of the Queen Elizabeth Hospital. The corporation is a non-profit organization and with a charitable status.

The Queen Elizabeth Hospital Foundation Inc. provides managerial and bookkeeping services to the US Friends of Queen Elizabeth Hospital, Inc. at no charge. The Chief Executive Officer of the Queen Elizabeth Hospital Foundation Inc. is the President and a director of US Friends of Queen Elizabeth Hospital, Inc. Also, the Chief Development Officer of the Queen Elizabeth Hospital Foundation Inc. is a director of US Friends of Queen Elizabeth Hospital, Inc.

Included in community groups and organizations donations revenue in 2021 is \$8,738 (2020 - nil) received by the Queen Elizabeth Hospital Foundation Inc. from the US Friends of Queen Elizabeth Hospital, Inc.

12 Donations to Queen Elizabeth Hospital

During the year, \$2,970,402 (2020 - \$4,177,648) was donated to the Queen Elizabeth Hospital for equipment purchases, as is shown in the Statement of Operations.

The cumulative total of donations to the Queen Elizabeth Hospital since the inception of the Foundation in 1984 is \$75,855,803.