

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Financial Statements

Year Ended August 31, 2017

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Index to Financial Statements

Year Ended August 31, 2017

	Page
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Heart and Stroke Foundation of New Brunswick

We have audited the accompanying financial statements of Heart and Stroke Foundation of New Brunswick, which comprise the statement of financial position as at August 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from campaign receipts, bequests, memoriam donations and fundraising activities, the completeness of which is not susceptible of 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 these revenues, excess (deficiency) of revenue over expenses, current assets and net assets.

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Independent Auditors' Report to the Board of Directors of Heart and Stroke Foundation of New Brunswick
(continued)

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the contributions referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of Heart and Stroke Foundation of New Brunswick as at August 31, 2017 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.

Saint John, New Brunswick
December 4, 2017



CHARTERED PROFESSIONAL ACCOUNTANTS

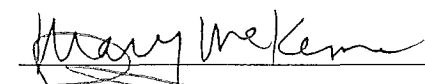
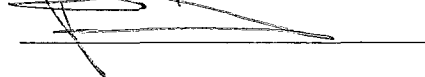
HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Statement of Financial Position

August 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 437,495	\$ 474,499
Restricted cash	275,620	9,023
Accounts receivable (Notes 4, 12)	367,566	170,907
Prepaid expenses	353	353
	<u>1,081,034</u>	<u>654,782</u>
CAPITAL ASSETS (Notes 5, 10)	54,516	54,109
INVESTMENTS (Note 6)	604,772	567,278
RESTRICTED INVESTMENTS (Note 6)	<u>546,219</u>	<u>525,264</u>
	<u>\$ 2,286,541</u>	<u>\$ 1,801,433</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable (Notes 7, 12)	\$ 711,776	\$ 685,513
Deferred contributions (Note 8)	27,000	10,000
Current portion of long term debt (Note 10)	<u>13,600</u>	<u>13,274</u>
	752,376	708,787
LONG TERM DEBT (Note 10)	<u>16,303</u>	<u>29,903</u>
	<u>768,679</u>	<u>738,690</u>
NET ASSETS		
Unrestricted fund	696,023	528,456
Restricted fund (Note 11)	<u>821,839</u>	<u>534,287</u>
	<u>1,517,862</u>	<u>1,062,743</u>
	<u>\$ 2,286,541</u>	<u>\$ 1,801,433</u>
COMMITMENTS (Note 15)		

ON BEHALF OF THE BOARD

 Director
 Director

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Statement of Operations

For the Year Ended August 31, 2017

	2017	2016
REVENUE (Note 12)		
Hockey Heroes	\$ 870,232	\$ 701,140
Campaign receipts	431,613	458,497
Bequests and major gifts	394,215	212,945
Direct mail	295,361	322,203
Jump Rope for Heart	268,939	253,642
Big Bike	248,147	142,430
Other special events	228,262	260,312
Memoriam donations	169,371	192,277
Material sales and other revenue	134,278	137,533
Partnership donations	100,873	147,500
Endowment fund (Note 9)	60,000	-
Dividends	19,109	13,345
Interest	5,156	5,852
Loss on disposal of investments	(13,761)	(2,340)
	<u>3,211,795</u>	<u>2,845,336</u>
EXPENSES		
Health promotion (Notes 12, 14)	1,103,294	1,103,890
Fund development (Notes 12, 14)	1,021,200	965,649
Medical research and facilities (Notes 12, 14)	697,639	625,257
Administration (Notes 12, 14)	251,915	250,397
	<u>3,074,048</u>	<u>2,945,193</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE NET UNREALIZED GAIN	137,747	(99,857)
NET UNREALIZED GAIN	<u>29,820</u>	<u>10,051</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 167,567</u>	<u>\$ (89,806)</u>

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Statement of Changes in Net Assets

Year Ended August 31, 2017

	Unrestricted Fund	Restricted Fund	2017	2016
NET ASSETS - BEGINNING OF YEAR	\$ 528,456	\$ 534,287	\$ 1,062,743	\$ 1,103,202
Excess (deficiency) of revenue over expenses	167,567	-	167,567	(89,806)
Endowment contributions received during the year <i>(Note 11)</i>	-	300,000	300,000	-
Restricted investment income reinvested in endowment balances, net of transfers <i>(Note 11)</i>	-	(12,448)	(12,448)	49,347
NET ASSETS - END OF YEAR	\$ 696,023	\$ 821,839	\$ 1,517,862	\$ 1,062,743

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

**Statement of Cash Flows
Year Ended August 31, 2017**

	2017	2016
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 167,567	\$ (89,806)
Items not affecting cash:		
Amortization of capital assets	14,640	17,124
Loss on disposal of capital assets	1,482	-
Loss on disposal of investments	13,761	2,340
Net unrealized gain	(29,820)	(10,051)
	<u>167,630</u>	<u>(80,393)</u>
Changes in non-cash working capital:		
Accounts receivable	(196,659)	53,418
Accounts payable	26,263	137,655
Deferred contributions	17,000	10,000
	<u>(153,396)</u>	<u>201,073</u>
Cash flow from operating activities	<u>14,234</u>	<u>120,680</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(16,529)	(3,230)
Net proceeds over purchase (purchase over proceeds) on disposal of investments	(21,435)	88,569
	<u>(37,964)</u>	<u>85,339</u>
Cash flow from (used by) investing activities	<u>(37,964)</u>	<u>85,339</u>
FINANCING ACTIVITY		
Repayment of long term debt	(13,274)	(18,966)
	<u>(13,274)</u>	<u>(18,966)</u>
INCREASE (DECREASE) IN CASH FLOW	(37,004)	187,053
CASH - BEGINNING OF YEAR	<u>474,499</u>	<u>287,446</u>
CASH - END OF YEAR	<u>\$ 437,495</u>	<u>\$ 474,499</u>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	\$ 7,003	\$ 8,436
Interest paid	\$ 891	\$ 2,462

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Notes to Financial Statements

Year Ended August 31, 2017

1. PURPOSE OF THE FOUNDATION

The Heart and Stroke Foundation of New Brunswick (the "Foundation") is incorporated without share capital under the laws of the Province of New Brunswick. The Foundation is a health charity whose mission is to improve the health of the residents of New Brunswick by preventing and reducing disability and death from heart disease and stroke through research, health promotion and advocacy.

The Foundation, which is incorporated under the laws of New Brunswick, is registered as a charitable organization under the Income Tax Act of Canada and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNFP").

Cash and Cash Equivalents

The Foundation considers cash on hand, short term deposits and balances with banks, net of overdrafts as cash or cash equivalents. Bank borrowings are considered to be financing activities.

Capital Assets

Capital assets are stated at cost or deemed cost less accumulated amortization. Capital assets are amortized over their estimated useful lives on a declining balance basis at the following rates:

Motor vehicles	25%
Furniture and fixtures	25%
Computer hardware	25%
Computer software	100%

The Foundation regularly reviews its capital assets to eliminate obsolete items.

Capital assets acquired during the year but not placed into use are not amortized until they are placed into use.

Investments

Fair values of investments are determined using year end quoted market prices.

The investments of the Foundation are held in the custody of ScotiaMcLeod and consist of liquid fixed income and equity investments.

The Foundation has an investment policy in place to administer the governance of these investments. As at August 31, 2017, the investments were in compliance with the policy.

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HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Notes to Financial Statements

Year Ended August 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue Recognition

Heart and Stroke Foundation of New Brunswick follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in restricted net assets.

Restricted endowment investment income is recognized as a direct increase in restricted net assets or recognized as revenue in the year which the related expenses are incurred dependant on the terms of the endowment agreement. Unrestricted investment income is recognized as revenue when earned.

Other revenue is recognized on an accrual basis.

Contributed Services

The operations of the Foundation depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the balance sheet. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the statement of operations, except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

Financial Instruments Policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in deficiency of revenue over expenses. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Measurement Uncertainty

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 and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Examples of significant estimates include:

- the recoverability of tangible assets;
- providing for amortization of capital assets;
- the estimated useful lives of assets;
- the allowance for doubtful accounts; and
- the recoverability of long term investments.

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Notes to Financial Statements

Year Ended August 31, 2017

3. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration as of August 31, 2017.

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from donors and customers. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Foundation has a significant number of donors and customers which minimizes concentration of credit risk.

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 receipt of funds from its donors, customers and other related sources, long term debt, accounts payable and other obligations.

Currency Risk

Currency risk is the risk to the Foundation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Foundation is exposed to foreign currency exchange risk on income from U.S. investments.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk through the fixed income component of its investment portfolio.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), 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 other price risk through its investment in quoted shares.

4. ACCOUNTS RECEIVABLE

	2017	2016
Trade	\$ 280,047	\$ 80,967
HST rebate receivable	46,442	46,356
Due from Heart and Stroke Foundation of Canada (Note 12)	41,077	43,584
	<u>\$ 367,566</u>	<u>\$ 170,907</u>

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Notes to Financial Statements

Year Ended August 31, 2017

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Motor vehicles	\$ 62,809	\$ 31,895	\$ 30,914	\$ 41,219
Furniture and fixtures	22,975	7,805	15,170	5,019
Computer hardware	49,749	41,317	8,432	7,871
Computer software	18,856	18,856	-	-
	<u>\$ 154,389</u>	<u>\$ 99,873</u>	<u>\$ 54,516</u>	<u>\$ 54,109</u>

6. INVESTMENTS

	2017	2016
Unrestricted		
Fixed income (Market Value \$265,764; 2016 - \$235,824)	\$ 266,984	\$ 231,121
Canadian equity (Market Value \$280,019; 2016 - \$268,349)	185,226	215,416
U.S. equity (Market Value \$58,989; 2016 - \$63,105)	37,330	35,329
	<u>489,540</u>	<u>481,866</u>
Net unrealized gains	115,232	85,412
	<u>604,772</u>	<u>567,278</u>
Restricted		
Fixed income (Market Value \$205,699; 2016 - \$149,193)	206,337	149,469
Canadian equity (Market Value \$340,520; 2016 - \$376,071)	231,283	268,214
	<u>437,620</u>	<u>417,683</u>
Net unrealized gains	108,599	107,581
	<u>546,219</u>	<u>525,264</u>
	<u>\$ 1,150,991</u>	<u>\$ 1,092,542</u>

7. ACCOUNTS PAYABLE

	2017	2016
Due to Heart and Stroke Foundation of Canada (Note 12)	\$ 506,438	\$ 579,613
Trade and accrued liabilities	182,813	60,321
Wages and fringe benefits	22,525	45,579
	<u>\$ 711,776</u>	<u>\$ 685,513</u>

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Notes to Financial Statements

Year Ended August 31, 2017

8. DEFERRED CONTRIBUTIONS

The deferred contributions balance consists of funds received from individuals for projects that take place in future periods. These contributions are deferred and recognized as revenue in the same period or periods as the related expenses are recognized. There are \$27,000 in deferred contributions in the current year (2016 - \$10,000).

9. DEFERRED ENDOWMENT INCOME

	<u>2017</u>	<u>2016</u>
Opening balance	\$ -	\$ -
Restricted investment income earned during the year	47,552	49,347
Transfers from endowment balances (Note 11)	<u>32,504</u>	<u>-</u>
	80,056	49,347
Restricted investment income funding expenditures during the year	(60,000)	-
Restricted investment income reinvested in endowment balances (Note 11)	<u>(20,056)</u>	<u>(49,347)</u>
Ending balance	<u>\$ -</u>	<u>\$ -</u>

The investment income balance of \$47,552 (2016 - \$49,347) is comprised of interest income of \$1,847 (2016 - \$2,584), dividend income of \$14,496 (2016 - \$14,701), gain (loss) on disposal of investments of \$30,191 (2016 - (\$1,466)) and net unrealized gain of \$1,018 (2016 - \$33,528).

10. LONG TERM DEBT

	<u>2017</u>	<u>2016</u>
Honda Financial Services loan bearing interest at 3.99% per annum, repayable in monthly blended payments of \$585. The loan matures on September 3, 2019 and is secured by a 2014 Honda CRV.	\$ 14,011	\$ 20,335
Honda Financial Services loan bearing interest at 0.99% per annum, repayable in monthly blended payments of \$595. The loan matures on November 30, 2019 and is secured by a 2015 Honda CRV.	<u>15,892</u>	<u>22,842</u>
	29,903	43,177
Amounts payable within one year	<u>(13,600)</u>	<u>(13,274)</u>
	<u>\$ 16,303</u>	<u>\$ 29,903</u>

Principal repayment terms are approximately:

2018	\$ 13,600
2019	13,937
2020	<u>2,366</u>
	<u>\$ 29,903</u>

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Notes to Financial Statements

Year Ended August 31, 2017

11. RESTRICTED FUNDS

	2016	Investment income reinvested	Contributions (transfers)	2017
Travis Mersereau Endowment Fund	\$ 430,392	\$ 19,806	\$ -	\$ 450,198
New Brunswick Cardiovascular Research Endowment Fund	-	-	300,000	300,000
Diamond Const. Endowment Fund	103,304	197	(32,504)	70,997
Mona F. Johnson Memorial Fund	591	53	-	644
	\$ 534,287	\$ 20,056	\$ 267,496	\$ 821,839

During the year, the Foundation received approval to utilize the realized income from the Diamond Const. Endowment Fund for research expenditures. There was a transfer of \$32,504 to deferred endowment income representing the realized income accumulated in the opening endowment capital balance.

12. RELATED PARTY TRANSACTIONS

All of the provincial Heart and Stroke Foundations, with the exception of the Foundation, opted to dissolve and form one national organization on September 1, 2011. The Foundation has agreed to affiliate with the new national organization, the Heart and Stroke Foundation of Canada ("HSFC"). The Foundation remains a separate legal entity under the direction of a volunteer Board and will maintain a strong line with the HSFC.

Revenue and expenses include amounts received from and paid to related parties. Accounts receivable and accounts payable include amounts due from and due to related parties. These transactions were incurred in the normal course of business and are measured at the exchange amount, which is the amount agreed upon by the related parties.

The Foundation received revenues of \$307,948 (2016 - \$339,739) from HSFC during the year for shared fundraising initiatives. In addition, \$776,799 (2016 - \$810,539) was paid to HSFC in affiliation fees and project costs. These transactions are carried in the ordinary course of business and are measured at the exchange amount.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

13. PENSION PLAN

Employees of the Foundation are members of a multi-employer pension plan (the "Plan"). The Plan is registered in the name of Heart and Stroke Foundation of Canada. Contributions to the Plan are required from the employees and the Foundation. The annual contributions for the Plan are recognized as an expense when incurred and amounted to \$49,071 (2016 - \$51,273) during the year.

HEART AND STROKE FOUNDATION OF NEW BRUNSWICK

Notes to Financial Statements

Year Ended August 31, 2017

14. EXPENSES

Expenses are allocated in accordance with the guidelines of the Heart and Stroke Foundation of Canada. Expenses directly related to an activity are charged to that activity and all other expenses are allocated as follows:

	Medical research and facilities	Health promotion	Fundraising costs	Administration
Direct mail expense	0.0%	50.0%	50.0%	0.0%
Jump Rope for Heart materials	0.0%	87.5%	12.5%	0.0%
Materials	0.0%	25.0%	65.0%	10.0%
Office expenses	25.0%	25.0%	25.0%	25.0%
Rent	21.0%	37.0%	33.0%	9.0%
Travel	0.0%	30.0%	70.0%	0.0%
Vehicle	40.0%	40.0%	10.0%	10.0%
Wages and benefits	14.8%	36.3%	35.8%	13.1%

15. COMMITMENTS

The Foundation has a long term lease with respect to its premises and office equipment. The minimum annual lease payments over the next five years are as follows:

2018	\$ 45,429
2019	45,429
2020	43,320
2021	46,355
2022	47,103
	<hr/>
	\$ 227,636
	<hr/>