

SOUTH PEACE HEALTH SERVICES SOCIETY

Financial Statements

Year Ended December 31, 2022

Draft

SOUTH PEACE HEALTH SERVICES SOCIETY
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Year Ended December 31, 2022

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Partners

- * Ben Sander, B. Comm., FCPA, FCA
- * Dale J. Rose, CPA, CA
- * Alan Bone, B. Comm., CPA, CA
- * Jason Grindle, B. Comm., CPA, CA
- * Jaron Neufeld, B. Comm., CPA, CA

813 - 103rd AVENUE, DAWSON CREEK, BC V1G 2G2
TEL: (250) 782-3374 • FAX: (250) 782-3379 • dc@srbg.ca

10208 - 99th AVENUE, FORT ST. JOHN, BC V1J 1V4
TEL: (250) 785-5645 • FAX: (250) 785-0064 • fsj@srbg.ca

203 - 9815 - 97th STREET, GRANDE PRAIRIE, AB T8V 8B9
TEL: (780) 532-8303 • FAX: (780) 532-8374 • gp@srbg.ca

INDEPENDENT AUDITOR'S REPORT

To the Members of South Peace Health Services Society

Report on the Financial Statements

Qualified Opinion

We have audited the financial statements of South Peace Health Services Society (the organization), which comprise the statement of financial position as at December 31, 2022, and the statements of revenues and expenditures, 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 the organization as at December 31, 2022, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the organization derives revenue from donations and fundraising activities 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 organization. Therefore, we were not able to determine whether any adjustments might be necessary to donation or fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2022, current assets and net assets as at December 31, 2022. Our audit opinion on the financial statements for the year ended December 31, 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 organization in accordance with 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.

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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 ASNPO, 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 organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 organization'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 organization'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 organization 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.

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Report on Other Legal and Regulatory Requirements

As required by the Societies Act of British Columbia, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian Accounting Standards for Not-for-profit Organizations have been applied on a basis consistent with that of the preceding year.

Dawson Creek, BC

CHARTERED PROFESSIONAL ACCOUNTANTS

SOUTH PEACE HEALTH SERVICES SOCIETY
Statement of Financial Position
December 31, 2022

	2022	2021
ASSETS		
CURRENT		
Cash	\$ 111,295	\$ 16,217
Accounts receivable	30,000	30,043
Goods and services tax recoverable	26,457	12,717
Current portion of deposit - Development Permit	-	40,313
Prepaid expenses	494	-
	168,246	99,290
TANGIBLE CAPITAL ASSETS <i>(Note 3)</i>	1,399,270	855,160
	\$ 1,567,516	\$ 954,450
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 85,026	\$ 37,092
Current portion of long term debt <i>(Note 4)</i>	-	185,000
	85,026	222,092
NET ASSETS		
Operating	143,420	77,600
Invested in tangible capital assets	1,339,070	654,758
	1,482,490	732,358
	\$ 1,567,516	\$ 954,450

Approved by

Director

Director

See notes to financial statements

SOUTH PEACE HEALTH SERVICES SOCIETY
Statement of Revenues and Expenditures
Year Ended December 31, 2022

	2022	2021
INCOME		
Donations - cash	\$ 87,031	\$ 634
Donations - in-kind	10,266	19,534
Grant	705,625	105,000
Memberships	230	260
Rent	12,950	-
	816,102	125,428
EXPENSES		
Board	1,331	-
Consulting fees	-	4,486
Fundraising	6,610	-
Insurance	11,480	2,419
Interest and bank charges	333	154
Interest on long term debt	5,220	5,972
Office	1,670	3,256
Professional fees	16,019	9,709
Property taxes	3,218	2,865
Repairs and maintenance	6,027	2,000
Supplies	8,392	-
Utilities	5,670	955
	65,970	31,816
EXCESS OF INCOME OVER EXPENSES	\$ 750,132	\$ 93,612

SOUTH PEACE HEALTH SERVICES SOCIETY
Statement of Changes in Net Assets
Year Ended December 31, 2022

	Operating	Invested in Tangible Capital Assets	2022	2021
NET ASSETS - BEGINNING OF YEAR	\$ 77,600	\$ 654,758	\$ 732,358	\$ 638,746
Excess of income over expenses	750,132	-	750,132	93,612
Transfers, net	(544,110)	544,110	-	-
Long term debt payments	(185,000)	185,000	-	-
Capital payables, net	44,798	(44,798)	-	-
NET ASSETS - END OF YEAR	\$ 143,420	\$ 1,339,070	\$ 1,482,490	\$ 732,358

SOUTH PEACE HEALTH SERVICES SOCIETY
Statement of Cash Flows
Year Ended December 31, 2022

	2022	2021
OPERATING ACTIVITIES		
Excess of income over expenses	\$ 750,132	\$ 93,612
Changes in non-cash working capital:		
Accounts receivable	43	(29,429)
Accounts payable	47,934	(10,237)
Prepaid expenses	(494)	951
Goods and services tax payable	(13,740)	(1,967)
Deposit - Development Permit	40,313	-
	74,056	(40,682)
Cash flow from operating activities	824,188	52,930
INVESTING ACTIVITY		
Purchase of tangible capital assets	(544,110)	(77,304)
FINANCING ACTIVITY		
Repayment of long term debt	(185,000)	-
INCREASE (DECREASE) IN CASH FLOW	95,078	(24,374)
Cash - beginning of year	16,217	40,591
CASH - END OF YEAR	\$ 111,295	\$ 16,217

SOUTH PEACE HEALTH SERVICES SOCIETY

Notes to Financial Statements

Year Ended December 31, 2022

1. PURPOSE OF THE ORGANIZATION

South Peace Health Services Society (the "Society") is a not-for-profit organization. The purpose of the Society is to enhance health care services in the South Peace region by helping find and retain health care professionals and to provide affordable accommodations for health care professionals and patients receiving medical treatments. The Society is located and operated in Dawson Creek, British Columbia. The South Peace Health Services Society is incorporated under the Societies Act of British Columbia as a not-for-profit organization. The Society is exempt from income tax under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit and short term deposits with maturity date of less than 90 days net of cheques issued and outstanding at the reporting date.

Financial instruments policy

The Society initially measures financial instruments at fair value when acquired or issued. In subsequent periods, the Society measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and receivables.

Financial liabilities measured at amortized cost include payables and current portion of long-term debt.

Revenue recognition

South Peace Health Services Society 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.

Contributed goods are recorded at their estimated fair market value on the date of acquisition.

Government grants

Government grants are recorded when there is a reasonable assurance that the organization had complied with and will continue to comply with, all the necessary conditions to obtain the grants.

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SOUTH PEACE HEALTH SERVICES SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

2. SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Use of estimates

The preparation of these financial statements is in conformity with Canadian accounting standards for Not-for-Profit Organizations which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the current period. Significant estimates include those used when accounting for receivables, contributions in kind, and payables. All estimates are reviewed periodically and adjustments are made to the statements of operations as appropriate in the year they become known.

Prepaid expenses

Prepaid expenses consist of prepaid insurance expenses which will be expensed in the periods expected to benefit from them.

Tangible capital assets

Tangible capital assets are stated at cost, or if donated, at estimated fair market value at the time of contribution. They are amortized using the straight-line method over the useful life of the assets. Tangible capital assets acquired during the year but not placed into use are not amortized until they are placed into use. The tangible capital assets were completed and put into service in the 2023 year.

Expenditures for maintenance and repairs are charged to operating expenses as incurred. Significant expenditures for improvements are capitalized.

The carrying amount of an item of tangible capital assets is tested for recoverability whenever events or changes in circumstances indicates that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

3. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 105,257	\$ -	\$ 105,257	\$ 105,257
Buildings	1,256,349	-	1,256,349	-
Equipment	37,664	-	37,664	6
Building - work in progress	-	-	-	749,897
	\$ 1,399,270	\$ -	\$ 1,399,270	\$ 855,160

The total contributed tangible capital assets received by the Society amounted to nil in 2022 and \$13,562 in 2021.

SOUTH PEACE HEALTH SERVICES SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

4. LONG TERM DEBT

	2022	2021
Lake View Credit Union Term Loan loan bearing interest at 3.23% per annum. The loan was fully repaid in 2022.	\$ -	\$ 185,000
Amounts payable within one year	-	(185,000)
	\$ -	\$ -

During the year the Society received contributed interest of \$5,220; (2021 \$5,972).

5. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of December 31, 2022.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The maximum exposure to credit risk is the carrying value of cash and trade receivables on the statement of financial position. The Society has limited exposure to this type of risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The organization is exposed to this risk mainly in respect of its receipt of funds from its contributors and other related sources, accounts payables and long-term debt. The Society monitors its cash flows from operations by preparing and monitoring cash flows against budget and anticipated future requirements based on their needs. The Society has limited exposure to this type of risk.

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. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The organization is mainly exposed to currency risk and interest rate risk.

Currency risk

Currency risk is the risk to the Society's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The organization has very minimal exposure to this type of risk.

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SOUTH PEACE HEALTH SERVICES SOCIETY
Notes to Financial Statements
Year Ended December 31, 2022

5. FINANCIAL INSTRUMENTS *(continued)*

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. The Society's interest bearing assets include cash. The Society's cash and cash equivalents are generally of a demand nature which minimizes the impact of fluctuations in market interest rates. These assets are held with Lake View Credit Union.

Unless otherwise noted, it is management's opinion that the organization is not exposed to significant other price risks arising from these financial instruments.

6. LEASE COMMITMENTS

The City of Dawson Creek leases a building to the Society for a 5 year term commencing January 1, 2023. At the end of the term, subject to the approval by the City Council, the Society may renew the agreement. The Society must pay the City \$1.00 on the first day of the term.