

**FUNDY LINEN SERVICE INC.**

(Incorporated under the laws of New Brunswick)

**FINANCIAL STATEMENTS**

**MARCH 31, 2008**

# FUNDY LINEN SERVICE INC.

MARCH 31, 2008

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**TEED  
SAUNDERS  
DOYLE & CO.**  
**Chartered Accountants**

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An Independent Member of  
DFK Canada Inc. and DFK International

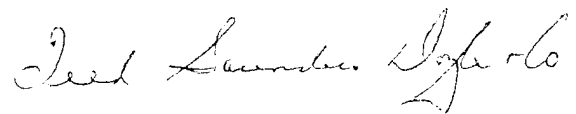
### AUDITORS' REPORT

To the Members of Fundy Linen Service Inc.

We have audited the statement of financial position of Fundy Linen Service Inc. as at March 31, 2008 and the statements of operations, changes in unrestricted net assets, changes in net assets restricted for capital replacement and cash flows for the year then ended. These financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Saint John, NB  
May 16, 2008

Saint John Partners

John H. Teed      Andrew P. Logan  
Peter L. Logan



Fredericton Partners

Brian J. Saunders      Ralph D. Gorman  
David H. Bradley      John H. Landry

**FUNDY LINEN SERVICE INC.**

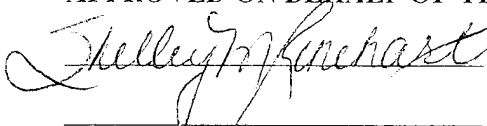
**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2008**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash (Note 3)	\$ 928,417	\$ 411,354
Investments (Notes 2 and 3)	490,037	468,317
Accounts receivable (Note 3)	214,259	213,479
Inventory of supplies (Note 2)	212,867	266,276
Prepaid expenses	<u>85,842</u>	<u>83,305</u>
	<u>1,931,422</u>	<u>1,442,731</u>
<b>CAPITAL</b> (Notes 2, 4 and 5)	<u>3,856,000</u>	<u>3,994,945</u>
	<u>\$ 5,787,422</u>	<u>\$ 5,437,676</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 3)	\$ 690,724	\$ 623,539
Accounts payable - special expense (Notes 2 and 3)	348,800	5,742
Principal due within one year on long-term debt	<u>77,769</u>	<u>73,433</u>
	<u>1,117,293</u>	<u>702,714</u>
<b>LONG-TERM</b> (Notes 3 and 5)	<u>338,191</u>	<u>415,955</u>
<b>RETIREMENT ALLOWANCES PAYABLE</b> (Note 2)	<u>563,312</u>	<u>550,574</u>
<b>NET ASSETS</b>		
<b>UNRESTRICTED NET ASSETS</b>	4,346,968	4,485,721
<b>NET ASSETS RESTRICTED FOR CAPITAL REPLACEMENT</b> (Note 2)	<u>(578,342)</u>	<u>(717,288)</u>
	<u>3,768,626</u>	<u>3,768,433</u>
	<u>\$ 5,787,422</u>	<u>\$ 5,437,676</u>

COMMITMENTS (Notes 7 and 8)

APPROVED ON BEHALF OF THE BOARD:

 Director  
 \_\_\_\_\_ Director

# FUNDY LINEN SERVICE INC.

## STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
<b>REVENUE</b> (Note 2)	\$ <u>6,572,841</u>	\$ <u>6,316,391</u>
<b>EXPENSES</b>		
Production	2,049,693	1,897,108
Delivery	405,306	371,833
Plant operations and maintenance	1,243,445	1,331,522
Linen replacement	987,107	1,004,153
General and administrative	995,428	1,135,709
Loss on disposal of capital assets	-	2,006
Interest on long-term debt	<u>26,230</u>	<u>44,303</u>
	<u>5,707,209</u>	<u>5,786,634</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE AMORTIZATION, INTEREST INCOME AND SPECIAL EXPENSE</b>	865,632	529,757
<b>AMORTIZATION</b>	<u>516,832</u>	<u>524,015</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE INTEREST INCOME AND SPECIAL EXPENSE</b>	348,800	5,742
<b>DISCRETIONARY INCOME</b> (Note 6)	<u>193</u>	<u>84,430</u>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE SPECIAL EXPENSE</b>	348,993	90,172
<b>SPECIAL EXPENSE</b> (Note 2)	<u>(348,800)</u>	<u>(5,742)</u>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	\$ <u><u>193</u></u>	\$ <u><u>84,430</u></u>

# FUNDY LINEN SERVICE INC.

## STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
BALANCE AT BEGINNING OF YEAR	\$ 4,485,721	\$ 2,868,893
EXCESS OF REVENUE OVER EXPENSES	193	84,430
TRANSFER FROM NET ASSETS RESTRICTED FOR CAPITAL REPLACEMENT FOR CAPITAL ASSET PURCHASES	<u>377,886</u>	<u>2,059,943</u>
	4,863,800	5,013,266
TRANSFER TO NET ASSETS RESTRICTED FOR CAPITAL REPLACEMENT	<u>516,832</u>	<u>527,545</u>
BALANCE AT END OF YEAR	<u>\$ 4,346,968</u>	<u>\$ 4,485,721</u>

# FUNDY LINEN SERVICE INC.

## STATEMENT OF CHANGES IN NET ASSETS RESTRICTED FOR CAPITAL REPLACEMENT

FOR THE YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
BALANCE AT BEGINNING OF YEAR	\$ (717,288)	\$ 815,110
AMORTIZATION	516,832	524,015
PROCEEDS ON DISPOSAL OF CAPITAL ASSETS	<u>-</u>	<u>3,530</u>
	(200,456)	1,342,655
FUNDS USED TO PURCHASE CAPITAL ASSETS	<u>377,886</u>	<u>2,059,943</u>
BALANCE AT END OF YEAR	<u>\$ (578,342)</u>	<u>\$ (717,288)</u>

# FUNDY LINE'S SERVICE INC.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2008

	<u>2008</u>	<u>2007</u>
<b>CASH PROVIDED BY (USED IN)</b>		
Operating activities		
Excess of revenue over expenses	\$ 193	\$ 84,430
Items not involving cash		
Amortization	516,832	524,015
Loss on disposal of capital assets	-	2,006
Retirement allowances payable	<u>12,738</u>	<u>284,885</u>
	529,763	895,336
Changes in non-cash working capital balances		
Accounts receivable	(780)	7,926
Inventory of supplies	53,409	(23,193)
Prepaid expenses	(2,537)	17,543
Accounts payable and accrued liabilities	67,184	83,601
Accounts payable - special expense	343,058	(85,366)
Deferred revenue	<u>-</u>	<u>(200,000)</u>
	<u>990,097</u>	<u>695,847</u>
Investing activities		
Purchase of capital assets	(377,886)	(2,059,943)
Proceeds on disposal of capital assets	-	3,530
Decrease (increase) in investments	<u>(21,720)</u>	<u>795,100</u>
	<u>(399,606)</u>	<u>(1,261,313)</u>
Financing activities		
Proceeds of long-term debt	-	1,000,000
Repayment of long-term debt	<u>(73,428)</u>	<u>(510,612)</u>
	<u>(73,428)</u>	<u>489,388</u>
<b>INCREASE (DECREASE) IN CASH</b>	517,063	(76,078)
<b>CASH AT BEGINNING OF YEAR</b>	<u>411,354</u>	<u>487,432</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 928,417</u>	<u>\$ 411,354</u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Interest received	\$ 49,103	\$ 84,430
Interest paid	26,230	44,303

# FUNDY LINEN SERVICE INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

### 1. PURPOSE OF THE ORGANIZATION

Fundy Linen Service Inc. provides linen services for health care facilities in southern New Brunswick. Fundy Linen Service Inc. is a not-for-profit organization and, as such, is exempt from income taxes.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Investments

The investments are stated at cost. The market value at March 31, 2008 was \$490,037 (2007 - \$468,317).

#### Inventory of Supplies

Inventory of supplies is stated at the lower of cost and net realizable value. All linen inventory purchased is charged to linen expense as it is put into the laundry system. Linen inventory consists of only new unused linen.

#### Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is being provided for using the straight-line method at the following annual rates:

Building	5 %
Paving	4 %
Laundry equipment	6 2/3 %
Office equipment	6 2/3 %
Computer hardware and software	33 1/3 %

#### Retirement Allowances Payable

The collective agreement between the Board of Management as represented by the Hospital Boards listed under Part III First Schedule of the Public Service Labour Relations Act and The Canadian Union of Public Employees provides for the payment of a severance allowance to employees having continuous service of five or more years who retire in accordance with the pension plan or are terminated due to disability, death or lay-off. The total estimated retirement allowance payable at March 31, 2008 has been recognized as a liability.

#### Net Assets Restricted for Capital Replacement

The net assets restricted for capital replacement are to be used to finance capital expenditures. An annual allocation equal to amortization expense is made to the account.

#### Revenue Recognition

Revenue is recognized as linen is shipped and when collection is reasonably assured.

#### Special Expense

Excess of revenue over expenses before discretionary income and special expense is repaid to the members.



# FUNDY LINEN SERVICE INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

### 3. FINANCIAL INSTRUMENTS

The company's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities, accounts payable - special expense and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

### 4. CAPITAL ASSETS

	<u>2008</u>			<u>2007</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Land	\$ 58,485	\$ -	\$ 58,485	\$ 58,485
Building	3,270,725	2,837,508	433,217	198,452
Paving	75,628	39,866	35,762	37,678
Equipment	<u>10,060,273</u>	<u>6,731,737</u>	<u>3,328,536</u>	<u>3,700,330</u>
	<u>\$ 13,465,111</u>	<u>\$ 9,609,111</u>	<u>\$ 3,856,000</u>	<u>\$ 3,994,945</u>

### 5. LONG-TERM DEBT

	<u>2008</u>	<u>2007</u>
Loan payable to the Royal Bank of Canada in monthly instalments of \$8,205 including interest at 5.75%, due December 2011, secured by equipment.	\$ 415,960	\$ 489,388
Less instalments included in current liabilities	<u>77,769</u>	<u>73,433</u>
	<u>\$ 338,191</u>	<u>\$ 415,955</u>

# FUNDY LINEN SERVICE INC.

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2008

### 5. LONG-TERM DEBT (cont'd)

Principal due within each of the next four years is as follows:

2009	\$	77,769
2010		82,361
2011		87,223
2012		168,607

### 6. DISCRETIONARY INCOME

	<u>2008</u>	<u>2007</u>
Interest income	\$ 49,103	\$ 84,430
Consulting and educational expenses	<u>(48,910)</u>	<u>-</u>
	<u>\$ 193</u>	<u>\$ 84,430</u>

### 7. OPERATING LEASE COMMITMENTS

The company leases three motor vehicles and office equipment which have been accounted for as operating leases. The minimum annual lease payments due in each of the next four years are as follows:

2009	\$	54,817
2010		54,817
2011		15,135
2012		1,431

### 8. COMMITMENT TO PURCHASE CAPITAL ASSETS

As at March 31, 2008, the company had signed purchase orders for various pieces of equipment to be delivered subsequent to year end totaling \$58,442.

### 9. ECONOMIC DEPENDENCE

During the year, the organization had sales of \$5,984,230 (2007 - \$5,831,598) to Atlantic Health Sciences Corporation, representing 91.0% of revenues (2007 - 92.3%).

### 10. UNION CONTRACT

The collective agreement between the company and CUPE Union Local 2291 expired on June 30, 2007. A new agreement, retroactive to July 1, 2007, is presently being negotiated. No amount has been recorded in these financial statements for wage rate increases, if any, which may result from these negotiations.