

Financial Statements of

**SAINT JOHN REGIONAL
HOSPITAL FOUNDATION,
INC.**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Saint John Regional Hospital Foundation, Inc.

Qualified Opinion

We have audited the financial statements of Saint John Regional Hospital Foundation, Inc. (the Foundation), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2021 and its results of 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, the Foundation derives revenue from fundraising projects and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of this revenue was limited to the amounts recorded in the records of the Foundation.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the assets reported in the statements of financial position as at March 31, 2021 and March 31, 2020
- the donations and gaming and revenues excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2021 and March 31, 2020
- the fund balances, at the beginning and at the end of the year, reported in the statements of changes in fund balances for the years ended March 31, 2021 and March 31, 2020
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2021 and March 31, 2020.



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Our opinion on the financial statements for the year ended March 31, 2020 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' 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 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 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 auditors' 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 the 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.



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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 auditors' 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 auditors' 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' in a cursive, slanted font. A horizontal line is drawn underneath the signature.

Chartered Professional Accountants

Saint John, Canada

June 16, 2021

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,885,651	\$ 2,597,099
HST recoverable	181,419	205,062
Accounts receivable	76,423	6,900
Pledges receivable	829,535	1,798,001
Deposit on Home Lottery	200,000	200,000
Prepaid expenses	18,255	17,514
	<u>5,191,283</u>	<u>4,824,576</u>
Pledges receivable	1,495,694	570,391
Investments (note 2)	26,260,362	22,288,922
Capital assets (note 3)	172,167	185,097
	<u>\$ 33,119,506</u>	<u>\$ 27,868,986</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 125,962	\$ 90,755
Due to Horizon Health Network	-	490,457
	<u>125,962</u>	<u>581,212</u>
Fund balances (note 4):		
General funds	14,833,674	10,618,489
Endowment funds - restricted	11,817,755	10,678,211
Designated funds - restricted	6,342,115	5,991,074
	<u>32,993,544</u>	<u>27,287,774</u>
	<u>\$ 33,119,506</u>	<u>\$ 27,868,986</u>

See accompanying notes to financial statements.

On behalf of the Board:

Lloyd Foote Director

[Signature] Director

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	General funds	Endowment funds	Designated funds	Total 2021	Total 2020
Revenues:					
Donations	\$ 4,354,270	\$ 72,254	\$ 1,053,815	\$ 5,480,339	\$ 6,613,207
Gaming (note 5)	1,619,779	-	-	1,619,779	1,349,376
Bank interest income	5,568	-	-	5,568	18,914
Investment Income (note 6)	376,316	369,792	-	746,108	795,267
Government assistance (note 7)	221,936	-	-	221,936	-
	<u>6,577,869</u>	<u>442,046</u>	<u>1,053,815</u>	<u>8,073,730</u>	<u>8,776,764</u>
Expenses:					
Direct (Schedule 1)	1,259,730	-	21,555	1,281,285	1,152,713
Administrative (Schedule 2)	572,489	-	-	572,489	770,638
	<u>1,832,219</u>	<u>-</u>	<u>21,555</u>	<u>1,853,774</u>	<u>1,923,351</u>
Excess of revenues over expenses before projects, awards, donations and scholarships	4,745,650	442,046	1,032,260	6,219,956	6,853,413
Projects, awards, donations and scholarships	2,663,308	620,075	587,557	3,870,940	3,945,416
	<u>2,082,342</u>	<u>(178,029)</u>	<u>444,703</u>	<u>2,349,016</u>	<u>2,907,997</u>
Unrealized gain (loss) on investments	1,928,866	1,427,888	-	3,356,754	(1,657,526)
Excess of revenues over expenses	\$ 4,011,208	\$ 1,249,859	\$ 444,703	\$ 5,705,770	\$ 1,250,471

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Changes In Fund Balances

Year ended March 31, 2021, with comparative information for 2020

	General funds	Endowment funds	Designated funds	Total 2021	Total 2020
Fund balances, beginning of year	\$ 10,618,489	\$ 10,678,211	\$ 5,991,074	\$ 27,287,774	\$ 26,037,303
Excess of revenues over expenses	4,011,208	1,249,859	444,703	5,705,770	1,250,471
Fund transfers	203,977	(110,315)	(93,662)	-	-
Fund balances, end of year	\$ 14,833,674	\$ 11,817,755	\$ 6,342,115	\$ 32,993,544	\$ 27,287,774

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating:		
Excess of revenues over expenses:		
General funds	\$ 4,011,208	\$ 1,409,754
Endowment funds	1,249,859	(1,377,925)
Designated funds	444,703	1,218,642
	<u>5,705,770</u>	<u>1,250,471</u>
Items not involving cash:		
Realized gain on disposal of investments	(107,956)	(323,989)
Unrealized (gain) loss on investments	(3,356,754)	1,657,526
Amortization	12,930	12,748
	<u>2,253,990</u>	<u>2,596,756</u>
Changes in non-cash operating working capital:		
HST recoverable	23,643	(58,361)
Accounts receivable	(69,523)	(400)
Pledges receivable	43,163	(1,841,907)
Deposit on Home Lottery	-	(100,000)
Prepaid expenses	(741)	22,289
Accounts payable and accrued liabilities	35,207	(56,851)
Due to Horizon Health Network	(490,457)	258,524
	<u>(458,708)</u>	<u>(1,776,706)</u>
	1,795,282	820,050
Investing activities:		
Proceeds from disposal of investments	3,183,438	4,235,096
Purchase of investments	(3,690,168)	(4,223,574)
Purchase of capital assets	-	(40,747)
	<u>(506,730)</u>	<u>(29,225)</u>
Increase in cash and cash equivalents	1,288,552	790,825
Cash and cash equivalents, beginning of year	2,597,099	1,806,274
<u>Cash and cash equivalents, end of year</u>	<u>\$ 3,885,651</u>	<u>\$ 2,597,099</u>

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2021

Saint John Regional Hospital Foundation, Inc. (the "Foundation") was incorporated under the laws of the Province of New Brunswick as a corporation without share capital. The Foundation is a registered charity and is exempt from income taxes. The Foundation's mission is to raise funds to support the advancement of equipment, research, education, mental health and patient comfort in New Brunswick.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook.

Fund Accounting:

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. The Foundation records its activities in the following funds:

General funds

The General funds account for all resources over which the Board of Directors has discretionary control to use in executing the operations of the Foundation, including funds that may be internally designated for specific projects.

Designated funds

The purpose of the designated funds account is to accept donations for specified purposes that are to be disbursed by the authorized signatories for specific projects related to health care initiatives of the Saint John Regional Hospital and community services in New Brunswick.

Endowment funds

MindCare endowment

The original capital of \$1,300,000, which is to be maintained permanently, was awarded to the Foundation. This endowment income is to be used as follows: 77% for education and 23% for research.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

Fund Accounting (continued)

Endowment funds

MindCare endowment (continued)

A court order in 1995 established that up to 30% of investment income earned in the year by the Endowment Funds' original capital of \$1,300,000, can be used by the Foundation for administration. Investment income utilized in this manner is recognized as an increase in the General funds.

Other endowments

Other endowments are to be maintained in perpetuity and only investment income is to be expended for the purposes noted in each of the Endowment Agreements.

(a) Revenue recognition:

Donation revenue and pledges are recognized in the year when they are received or become receivable if the amount can be reasonably estimated and collection can be reasonably assured. Investment income includes interest, dividends and realized gains and losses. Interest and dividend income is recognized on an accrual basis. Realized gain (loss) on disposal of investments is the difference between proceeds received and the cost of the investment sold. All changes in fair value are recognized in investment income and part of unrealized gain (loss) in investments.

Unrestricted contributions are recognized as revenue of the General funds and restricted contributions are recognized as revenue in the appropriate restricted fund.

(b) Cash and cash equivalents:

Cash and cash equivalents consists of cash with banks and highly liquid short-term instruments with original maturities of three months or less.

(c) Foreign exchange:

The Foundation is exposed to currency risk as a result of its United States dollar denominated investments. These investments are translated at exchange rates in effect at the statement of financial position date. Investment income is translated at month end exchange rates prevailing during the year.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(d) Capital assets:

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

Asset	Rate
Office and equipment	5 years
Leasehold improvements	20 years

(e) Contributions in kind and donated services:

The Foundation occupies premises at the Saint John Regional Hospital on a rent-free basis. As well a significant amount of volunteer services is utilized by the Foundation during various fundraising events. Due to the difficulty of determining a fair value for these items, rent and donated services are not recognized in the financial statements.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value using closing prices. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its fixed income investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used for, but not limited to, determination of fair values, the valuation of accounts receivable, pledges receivable, the useful lives of capital assets, and accruals. Actual results could differ from those estimated.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Investments:

Investments consist of the following:

	2021	2020
Canadian - fixed income	\$ 11,216,234	\$ 11,462,036
Canadian - equity	9,370,758	6,552,616
United States - equity	4,642,487	3,066,654
International - equity	1,030,883	1,207,616
	<u>\$ 26,260,362</u>	<u>\$ 22,288,922</u>

3. Capital assets:

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Office and equipment	\$ 43,385	\$ 9,889	\$ 33,496	\$ 35,474
Leasehold improvements	170,983	32,312	138,671	149,623
	<u>\$ 214,368</u>	<u>\$ 42,201</u>	<u>\$ 172,167</u>	<u>\$ 185,097</u>

4. Commitments:

At March 31, 2021, the Foundation has commitments for expenditures for the following funds:

	General funds	Endowment funds	Designated funds	Total
Fund balances	\$ 14,833,674	\$ 11,817,755	\$ 6,342,115	\$ 32,993,544
Commitments	(11,167,576)	-	-	(11,167,576)
Restricted funds	-	(11,817,755)	(6,342,115)	(18,159,870)
Unrestricted fund balances	<u>\$ 3,666,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,666,098</u>

The Endowment funds balance is comprised of \$9,455,598 of capital and \$2,362,157 of realized and unrealized investment income.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Gaming:

	2021	2020
Revenues:		
Home lottery	\$ 5,126,625	\$ 4,915,560
Employee lottery	114,795	112,890
	<u>5,241,420</u>	<u>5,028,450</u>
Expenses:		
Home lottery	3,580,019	3,637,137
Employee lottery	41,622	41,937
	<u>3,621,641</u>	<u>3,679,074</u>
Excess of revenues over expenses	<u>\$ 1,619,779</u>	<u>\$ 1,349,376</u>

6. Investment income:

	2021	2020
Investment income	\$ 875,451	\$ 923,601
Management fees	(129,343)	(128,334)
	<u>\$ 746,108</u>	<u>\$ 795,267</u>

Investment income includes realized gain on disposal of investments of \$107,956 (2020 - \$323,989).

All of the investments of the Foundation are managed collectively. As a result, realized investment income, unrealized gains (losses) and investment management fees (net investment income) must be allocated to the various funds. Net investment income is allocated on a monthly basis. The endowment funds balance is divided by the total fair market value of the Foundation's investments to determine the percentage of net investment income to allocate to the endowment funds. The investment income not allocated to the endowment funds is allocated to the general funds.

7. Government assistance:

During the year, the Foundation received government assistance of \$221,936 under the Canada Emergency Wage Subsidy (CEWS) program offered by the Government of Canada.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Economic relationship:

The Foundation funds advancement of equipment, research, education, mental health and patient comfort. During the year, the Foundation provided funding to the Saint John Regional Hospital in the amount of \$3,286,439 (2020 - \$2,101,087).

These parties have an economic relationship as the Foundation raises funds in support of New Brunswick Healthcare and occupies premises at the Saint John Regional Hospital on a rent-free basis.

9. Financial risks:

(a) 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 a fair value of risk, since fair value fluctuates inversely to change in market interest rates.

(b) Price risk:

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 price risk through its investments for which the value fluctuates with the quoted market price.

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Approximately 22% (2020 - 15%) of the Foundation's investments are in United States dollar or other foreign currency. Consequently, some assets are exposed to foreign exchange fluctuations. As at March 31, 2021, cash and investment balances of \$2,174 and \$5,673,370 respectively, (2020 - \$141 and \$4,274,270) are denominated in United States dollars and translated into Canadian dollars.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Financial risks (continued):

(d) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Foundation. The Foundation is exposed to credit risk on its fixed income investments. The Foundation mitigates this risk by restricting fixed income investments to instruments with high quality credit ratings. The Foundation is exposed to credit risk on its pledges receivables. The collectibility of the pledges receivable is assessed on an individual basis and written off in the statement of operations when deemed not recoverable. There has been no change to the risk exposures from 2020.

(e) Other risk:

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This has presented many uncertainties which have reflected in the subsequent stock market volatility. At this time, governments and businesses around the world are introducing significant measures to contain and control the spread of the COVID-19. The full impact of these circumstances on global growth and businesses will not be fully understood until more time has passed. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Foundation is not known at this time.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Schedule 1 - Direct Expenses

Year ended March 31, 2021, with comparative information for 2020

	General funds	Designated funds	Total 2021	Total 2020
Bank charges	\$ 16,788	\$ -	\$ 16,788	\$ 15,576
Donor recognition	289	-	289	1,787
Event supplies	4,968	628	5,596	14,236
Catering	2,861	15,697	18,558	32,719
Miscellaneous	3,774	5,230	9,004	10,397
Office	152	-	152	1,379
Postage	38,903	-	38,903	40,312
Printing/graphics	8,469	-	8,469	29,722
Professional fees	9,860	-	9,860	11,161
Promotion	350,403	-	350,403	372,050
Purchased services	23,948	-	23,948	6,856
Salaries	788,737	-	788,737	602,371
Travel and education	10,578	-	10,578	14,147
	\$ 1,259,730	\$ 21,555	\$ 1,281,285	\$ 1,152,713

Schedule 2 - Administrative Expenses

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Amortization	\$ 12,930	\$ 12,748
Donor recognition	-	15,831
Insurance	7,286	7,277
Interest and bank charges	12,030	12,509
Meeting expense	3,320	14,112
Miscellaneous	11,515	3,775
Office	50,364	73,260
Postage	46	86
Printing and graphics	763	-
Professional fees	74,601	62,407
Salaries	378,275	498,456
Telephone	10,710	13,057
Travel and education	10,649	57,120
	\$ 572,489	\$ 770,638