

Financial Statements of

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

Year ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Saint John Regional Hospital Foundation, Inc., which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising 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 our 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, we consider internal controls 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 audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives most of its revenue from fundraising projects and donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the accounts of the entity. Consequently, we were unable to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses and fund balances.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Saint John Regional Hospital Foundation, Inc. as at March 31, 2017, and its results of operations, changes in fund balances, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants

June 21, 2017

Saint John, Canada

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Financial Position

March 31, 2017, with comparative information for 2016

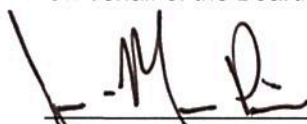
	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,773,678	\$ 806,915
HST recoverable	140,970	221,009
Pledges receivable	55,000	-
Accounts receivable	36,000	76,262
Deposit on Home Lottery prize	100,000	100,000
Prepaid expenses	7,664	9,580
	<u>2,113,312</u>	<u>1,213,766</u>
Pledges receivable	90,000	-
Investments (note 2)	22,917,354	27,145,685
Capital assets (note 3)	7,912	9,890
	<u>\$ 25,128,578</u>	<u>\$ 28,369,341</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 164,727	\$ 346,490
Due to the Horizon Health Network	1,573,644	131,656
	<u>1,738,371</u>	<u>478,146</u>
Fund balances (note 4):		
General funds	7,064,794	7,501,731
Endowment funds - restricted	12,757,911	16,741,786
Designated funds - restricted	3,567,502	3,647,678
	<u>23,390,207</u>	<u>27,891,195</u>
	<u>\$ 25,128,578</u>	<u>\$ 28,369,341</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	General funds	Endowment funds	Designated funds	Total 2017	Total 2016
Revenues:					
Donations	\$ 1,803,032	\$ 680,884	\$ 1,358,274	\$ 3,842,190	\$ 2,759,968
Gaming (note 5)	925,802	–	–	925,802	1,023,825
Bank interest income	5,583	–	–	5,583	7,178
Investment income (note 6)	623,027	1,059,593	–	1,682,620	687,898
	<u>3,357,444</u>	<u>1,740,477</u>	<u>1,358,274</u>	<u>6,456,195</u>	<u>4,478,869</u>
Expenses:					
Direct (schedule 1)	929,096	–	25,896	954,992	1,100,056
Administration (schedule 2)	525,535	–	–	525,535	542,467
	<u>1,454,631</u>	<u>–</u>	<u>25,896</u>	<u>1,480,527</u>	<u>1,642,523</u>
Excess of revenues over expenses before projects, awards and scholarships	1,902,813	1,740,477	1,332,378	4,975,668	2,836,346
Projects, awards, donations and scholarships (note 10)	2,871,699	5,674,686	1,257,021	9,803,406	2,006,449
	<u>(968,886)</u>	<u>(3,934,209)</u>	<u>75,357</u>	<u>(4,827,738)</u>	<u>829,897</u>
Unrealized gain (loss) on investments	330,986	(4,236)	–	326,750	(770,700)
Excess (deficiency) of revenues over expenses and projects for the year	\$ (637,900)	\$ (3,938,445)	\$ 75,357	\$ (4,500,988)	\$ 59,197

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Changes in Fund Balances

Year ended March 31, 2017, with comparative information for 2016

	General funds	Endowment funds	Designated funds	Total 2017	Total 2016
Fund balances, beginning of year	\$ 7,501,731	\$ 16,741,786	\$ 3,647,678	\$ 27,891,195	\$ 27,831,998
Excess (deficiency) of revenues over expenses and projects for the year	(637,900)	(3,938,445)	75,357	(4,500,988)	59,197
Fund transfers	200,963	(45,430)	(155,533)	—	—
Fund balances, end of year	\$ 7,064,794	\$ 12,757,911	\$ 3,567,502	\$ 23,390,207	\$ 27,891,195

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by:		
Operating:		
Excess (deficiency) of revenues over expenses and projects for the year:		
General funds	\$ (637,900)	\$ 459,352
Endowment funds	(3,938,445)	(318,141)
Designated funds	75,357	(82,014)
	<u>(4,500,988)</u>	<u>59,197</u>
Items not involving cash:		
Realized loss (gain) on disposal of investments	(1,095,401)	22,448
Unrealized loss (gain) on investments	(326,750)	770,700
Amortization	1,978	-
	<u>(5,921,161)</u>	<u>852,345</u>
Change in non-cash operating working capital:		
HST recoverable	80,039	(55,011)
Accounts receivable	40,262	(51,262)
Pledges receivable	(145,000)	-
Deposit on Home Lottery prize	-	25,000
Accounts payables and accrued liabilities	(181,763)	280,291
Prepaid expenses	1,916	(9,580)
Due to the Horizon Health Network	1,441,988	(685,494)
	<u>(4,683,719)</u>	<u>356,289</u>
Investing activities:		
Proceeds from disposal of investments	8,512,070	1,958,462
Purchase of investments	(2,861,588)	(3,094,017)
Purchase of capital assets	-	(9,890)
	<u>5,650,482</u>	<u>(1,145,445)</u>
Increase (decrease) in cash and cash equivalents	966,763	(789,156)
Cash and cash equivalents, beginning of year	806,915	1,596,071
Cash and cash equivalents, end of year	<u>\$ 1,773,678</u>	<u>\$ 806,915</u>

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2017

The 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. As a non-profit charitable organization, it is exempt from income tax per section 149(1)(l) of the Income Tax Act. The Foundation's mission is to raise funds to support excellence and innovation in healthcare through projects in support of the Saint John Regional Hospital as well as mental health projects in research, education and community services 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.

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.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(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 is recognized on an accrual basis.

Unrestricted contributions are recognized as revenue of the General fund.

(b) Statement of cash flows:

For the purpose of the statement of cash flows, the Foundation considered cash on hand to be balances with banks, net of overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less as cash and cash equivalents. Bank borrowings are considered to be financing activities.

(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.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, except for investments. All investments held by the Foundation have fair market values which are readily determined by active markets and are revalued at the statement of financial position date to reflect fair market value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2017

1. Significant accounting policies (continued):

(e) Use of estimates:

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 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, and accruals. Actual results could differ from those estimated.

2. Investments:

Investments consist of the following:

	2017	2016
Canadian - fixed income	\$ 11,708,104	\$ 13,617,016
Canadian - equity	8,406,072	10,220,773
United States - equity	1,788,629	2,064,636
International - equity	1,014,549	1,243,260
	<u>\$ 22,917,354</u>	<u>\$ 27,145,685</u>

3. Capital assets:

During 2017, amortization expense on office equipment was recorded in the amount of \$1,978 (2016 - nil).

4. Commitments:

At March 31, 2017, the Foundation has commitments for expenditures for the following funds:

	General funds	Endowment funds	Designated funds	Total
Fund balances	\$ 7,064,794	\$ 12,757,911	\$ 3,567,502	\$ 23,390,207
Commitments	(2,362,653)	—	—	(2,362,653)
Restricted funds	—	(12,757,911)	(3,567,502)	(16,325,413)
Unrestricted fund balances	<u>\$ 4,702,141</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,702,141</u>

The Endowment funds balance is comprised of \$9,153,538 of capital and \$3,604,373 of realized and unrealized investment income.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2017

5. Gaming:

	2017	2016
Revenues:		
Home lottery	\$ 3,318,266	\$ 3,394,982
Employee lottery	140,970	144,350
	<u>3,459,236</u>	<u>3,539,332</u>
Expenses:		
Home lottery	2,479,327	2,467,352
Employee lottery	54,107	48,155
	<u>2,533,434</u>	<u>2,515,507</u>
Excess of revenues over expenses	\$ 925,802	\$ 1,023,825

6. Investment income:

	2017	2016
Investment income	\$ 1,809,127	\$ 831,400
Management fees	(126,507)	(143,502)
	<u>\$ 1,682,620</u>	<u>\$ 687,898</u>

Investment income includes realized gain on disposal of investments of \$1,095,401 (2016 - loss \$22,448).

All of the investments of the Foundation are managed collectively. As a result, realized investment income, unrealized gains 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. 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.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2017

8. Economic relationship:

The Foundation funds various projects focused on enhancing hospital services. During the year, the Foundation provided funding to the Saint John Regional Hospital in the amount of \$ 3,462,331 (2016 - \$847,438).

These parties have an economic relationship as the primary purpose of the Foundation is to raise funds in support of the Saint John Regional Hospital.

During the year, the Foundation purchased services in the amount of \$2,531 (2016 - \$78,650) from organizations related to directors of the Board of the Foundation. These transactions were in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties. At year end, nil (2016 - \$5,258) remained in accounts payable.

9. Financial risks:

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.

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 investments in listed shares for which the value fluctuates with the quoted market price.

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 12% 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, 2017, cash and investment balances of \$3,267 and \$2,803,178, respectively, (2016 - \$493 and \$3,182,029) are denominated in United States dollars and converted into Canadian dollars.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2017

10. Donation:

During the year, the Foundation donated 18 endowment funds that were established to provide annual scholarships for medical students intending to practice medicine in New Brunswick, to The New Brunswick Medical Education Foundation Inc. (NBMEFI). The NBMEFI, originally a committee of the Board of Directors of the Foundation became a registered Charity with the Government of Canada on December 31, 2015. The value of the donation was \$5,283,746.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Schedule 1 - Direct Expenses

Year ended March 31, 2017, with comparative information for 2016

	General funds	Designated funds	Total 2017	Total 2016
Bank charges	\$ 10,041	\$ 996	\$ 11,037	\$ 16,757
Donor recognition	23	—	23	1,766
Event supplies	37,910	1,222	39,132	133,788
Food	3,921	19,315	23,236	77,608
Miscellaneous	2,666	893	3,559	(49,837)
Office	12,300	—	12,300	9,290
Postage	33,347	—	33,347	17,085
Printing/graphics	15,259	305	15,564	23,768
Professional fees	52,868	—	52,868	64,684
Promotion	147,215	2,687	149,902	137,765
Purchased services	1,917	—	1,917	35,933
Rentals	—	337	337	3,498
Salaries	609,175	—	609,175	604,394
Travel and education	2,454	141	2,595	23,557
	\$ 929,096	\$ 25,896	\$ 954,992	\$ 1,100,056

Schedule 2 - Administrative Expenses

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Amortization	\$ 1,978	\$ —
Donor recognition	12,535	2,834
Insurance	5,714	5,714
Interest and bank charges	11,918	10,748
Leased equipment	—	376
Meeting expense	6,461	10,510
Miscellaneous	15,295	9,368
Office	22,486	13,364
Postage	51	2,344
Printing and graphics	2,259	1,868
Professional fees	56,952	117,249
Promotion	1,029	1,882
Salaries	343,168	324,050
Telephone	10,741	11,297
Travel and education	34,948	30,863
	\$ 525,535	\$ 542,467