

Audited Financial Statements of

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

March 31, 2014

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Saint John Regional Hospital Foundation, Inc. (the "Foundation"), which comprise the statement of financial position as at March 31, 2014 and the statements of changes in fund balances, operations and cash flows for the year ended March 31, 2014, 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 as described in Note 2 to the financial statements 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.

Auditor's 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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, 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 auditor considers internal controls relevant to the entity's preparation of the financial statements in order to design the 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 assessing the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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 Foundation receives revenues from the general public in the form of donations and other fundraising projects, 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 records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and fund balances.

Qualified Opinion

In our opinion, except for the 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, 2014, the results of operations and changes in fund balances and cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.



Chartered Accountants



June 11, 2014

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.
Statement of Financial Position
as at March 31, 2014

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,518,779	\$ 2,252,077
HST recoverable	87,565	129,996
Receivables	4,200	-
Refundable deposit	100,000	100,000
	<u>2,710,544</u>	<u>2,482,073</u>
INVESTMENTS (Note 4)	<u>23,119,404</u>	<u>20,405,970</u>
	<u>\$ 25,829,948</u>	<u>\$ 22,888,043</u>
CURRENT LIABILITIES		
Payables and accrued liabilities (Note 5)	\$ 70,393	\$ 118,018
Due to the Horizon Health Network (Note 6)	109,442	545,807
	<u>179,835</u>	<u>663,825</u>
FUND BALANCES (Note 7)		
General funds	7,193,415	5,448,994
Endowment funds - restricted	14,866,317	13,342,639
Designated funds - restricted	3,590,381	3,432,585
	<u>25,650,113</u>	<u>22,224,218</u>
	<u>\$ 25,829,948</u>	<u>\$ 22,888,043</u>

Note 7

APPROVED ON BEHALF OF THE BOARD:

 Director
 Director

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.
Statement of Changes in Fund Balances
year ended March 31, 2014

	<u>General funds</u>	<u>Endowment funds</u>	<u>Designated funds</u>	<u>Total 2014</u>	<u>Total 2013</u>
FUND BALANCES, BEGINNING OF YEAR, AS PREVIOUSLY STATED	\$ 4,071,294	\$ 13,342,539	\$ 4,810,385	\$ 22,224,218	\$ 19,809,359
Prior period adjustment (Note 13)	1,377,700	100	(1,377,800)	-	-
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	5,448,994	13,342,639	3,432,585	22,224,218	19,809,359
Excess of revenue over expenses and projects for the year	1,726,137	1,537,622	162,136	3,425,895	2,414,859
Fund transfers	18,284	(13,944)	(4,340)	-	-
FUND BALANCES, END OF YEAR	\$ 7,193,415	\$ 14,866,317	\$ 3,590,381	\$ 25,650,113	\$ 22,224,218

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Operations year ended March 31, 2014

	General funds	Endowment funds	Designated funds	Total 2014	Total 2013
Revenue					
Donations	\$ 1,731,972	\$ 671,252	\$ 1,128,338	\$ 3,531,562	\$ 3,946,096
Gaming (Note 8)	894,713	-	-	894,713	881,599
Bank interest income	30,385	-	-	30,385	33,351
Investment income (Note 9)	192,300	433,646	-	625,946	493,577
	2,849,370	1,104,898	1,128,338	5,082,606	5,354,623
Expenses					
Direct (Schedule 1)	625,900	2,813	278,418	907,131	619,955
Administration (Schedule 2)	607,871	-	9,215	617,086	466,259
	1,233,771	2,813	287,633	1,524,217	1,086,214
Excess of revenue over expenses before projects, awards and scholarships	1,615,599	1,102,085	840,705	3,558,389	4,268,409
Projects, awards and scholarships	322,692	328,000	678,569	1,329,261	2,655,610
Excess of revenue over expenses and projects, awards and scholarships before undernoted	1,292,907	774,085	162,136	2,229,128	1,612,799
Unrealized gain on investments	433,230	763,537	-	1,196,767	802,060
EXCESS OF REVENUE OVER EXPENSES AND PROJECTS FOR THE YEAR	\$ 1,726,137	\$ 1,537,622	\$ 162,136	\$ 3,425,895	\$ 2,414,859

Notes 11, 12 and 14

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

year ended March 31, 2014

	<u>2014</u>	<u>2013</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenses and projects for the year		
General funds	\$ 1,726,137	\$ 422,561
Endowment funds	1,537,622	1,785,724
Designated funds	162,136	206,574
	3,425,895	2,414,859
Items not affecting cash:		
Realized (gain) loss on disposal of investments	(84,443)	563
Unrealized gain on investments	(1,196,767)	(802,060)
	2,144,685	1,613,362
Changes in non-cash operating working capital items:		
HST recoverable	42,431	(13,224)
Receivables	(4,200)	1,500
Payables	(47,625)	(11,545)
Due to the Horizon Health Network	(436,365)	(380,046)
	1,698,926	1,210,047
INVESTING		
Proceeds from disposal of investments	2,634,672	4,058,772
Purchase of investments	(4,066,896)	(5,787,489)
	(1,432,224)	(1,728,717)
CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	266,702	(518,670)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,252,077	2,770,747
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,518,779	\$ 2,252,077

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to the Financial Statements

year ended March 31, 2014

1. NATURE OF ORGANIZATION

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.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

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

Designated funds

The purpose of the Designated fund 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 the Financial Statements
year ended March 31, 2014

2. ACCOUNTING POLICIES (continued)

Fund accounting (continued)

Endowment funds (continued)

MindCare endowment (continued)

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

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.

Revenue recognition

Donation revenue and pledges are recognized when received. Investment income is recognized on an accrual basis.

Unrestricted contributions are recognized as revenue of the General Fund.

Statement of cash flows

For the purpose of the statement of cash flows, the Foundation considers 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 or cash equivalents. Bank borrowings are considered to be financing activities.

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 and accruals. Actual results could differ from those estimated.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.
Notes to the Financial Statements
year ended March 31, 2014

2. ACCOUNTING POLICIES (continued)

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. During the year, the Foundation recorded a foreign exchange gain of \$489 (2013 - loss of \$7).

Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments which are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost includes cash and cash equivalents, receivables and refundable deposit.

Financial liabilities measured at amortized cost include payables and accrued liabilities and due to the Horizon Health Network.

Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net income. The previously recognized impairment loss may be reversed to the extent of the improvement directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income.

Transaction costs

The Foundation's transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. The carrying amount of the financial instruments that will not be subsequently measured at fair value is adjusted for transaction costs directly attributable to the origination, issuance or assumption of these instruments.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to the Financial Statements

year ended March 31, 2014

3. FINANCIAL RISKS

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 payables.

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 fair value risk, since fair value fluctuates inversely to changes 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 11% 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, 2014, cash and investment balances of \$84 and \$2,648,281, respectively, (2013 - \$958 and \$2,095,957) are denominated in United States dollars and converted into Canadian dollars.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to the Financial Statements

year ended March 31, 2014

4. INVESTMENTS

Investments consist of the following:

	<u>2014</u>	<u>2013</u>
Canadian - fixed income	\$ 12,104,973	\$ 10,549,905
Canadian - equity	8,366,150	7,360,108
Canadian - government investment certificates	-	400,000
United States - equity	1,508,391	1,164,450
International - equity	1,139,890	931,507
	<u>\$ 23,119,404</u>	<u>\$ 20,405,970</u>

5. PAYABLES AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Trade	\$ 24,194	\$ 34,944
Project spending	-	76,000
Other	46,199	7,074
	<u>\$ 70,393</u>	<u>\$ 118,018</u>

6. DUE TO THE HORIZON HEALTH NETWORK

	<u>2014</u>	<u>2013</u>
General	\$ 92,129	\$ 56,508
Equipment	17,313	489,299
	<u>\$ 109,442</u>	<u>\$ 545,807</u>

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to the Financial Statements

year ended March 31, 2014

7. COMMITMENTS

Projects

At March 31, 2014, the Foundation has commitments for expenditures for the following funds:

	<u>General funds</u>	<u>Endowment funds</u>	<u>Designated funds</u>	<u>Total</u>
Fund balances	\$ 7,193,415	\$ 14,866,317	\$ 3,590,381	\$ 25,650,113
Commitments	2,961,931	-	-	2,961,931
Restricted funds	-	14,866,317	3,590,381	18,456,698
<hr/>				
Unrestricted fund balances	\$ 4,231,484	\$ -	\$ -	\$ 4,231,484

The Endowment fund balance is comprised of \$11,497,817 of capital, \$2,604,963 of realized investment income and \$763,537 of unrealized gain on investments.

Office equipment

The Foundation leases its office equipment under an operating lease that is for a one year term in the amount of \$500 per month plus operating expenses.

8. GAMING

	<u>2014</u>	<u>2013</u>
Revenue		
Home lottery	\$ 3,048,625	\$ 2,732,671
Employee lottery	137,976	150,576
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	3,186,601	2,883,247
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Expenses		
Home lottery	2,243,305	1,954,169
Employee lottery	48,583	47,479
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	2,291,888	2,001,648
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Excess of revenue over expenses	\$ 894,713	\$ 881,599

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.
Notes to the Financial Statements
year ended March 31, 2014

9. INVESTMENT INCOME

	<u>2014</u>	<u>2013</u>
Investment income	\$ 733,729	\$ 595,012
Management fees	(107,783)	(101,435)
	<u>\$ 625,946</u>	<u>\$ 493,577</u>

Investment income includes realized gain on disposal of investments of \$84,443 (2013 - loss of \$563).

Investment income is allocated to the Endowment Fund based on the total amount of Endowments to the total amount of Investments. The remainder of the investment income is allocated to the General Fund.

10. ADMINISTRATIVE EXPENSES

Salaries include a one-time retirement allowance and severance payment.

11. 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.

12. 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 \$853,911 (2013 - \$2,208,019).

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.

13. ACCOUNTING POLICY CHANGE

During the year, the Foundation refined the definitions of the general fund and the designated fund as disclosed in Note 2. As a result of this change, the opening general fund balance increased by \$1,377,700, the opening endowment fund balance increased by \$100, and the opening designated fund balance decreased by \$1,377,800.

14. PRIOR YEAR FIGURES

Certain prior year figures have been reclassified to conform to the presentation format adopted for the current year.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.**Schedule of Direct Expenses**

year ended March 31, 2014

Schedule 1

	<u>General funds</u>	<u>Endowment funds</u>	<u>Designated funds</u>	<u>Total 2014</u>	<u>Total 2013</u>
Bank charges	\$ 9,660	\$ -	\$ -	\$ 9,660	\$ 363
Donor recognition	3,283	-	1,608	4,891	2,758
Event supplies	29,119	-	20,711	49,830	55,468
Food	19,331	-	46,145	65,476	5,801
Miscellaneous	-	-	-	-	5,637
Office	12,305	-	1,976	14,281	5,034
Postage	4,412	-	218	4,630	6,217
Printing/graphics	4,138	-	1,260	5,398	7,133
Professional fees	21,503	2,813	27,109	51,425	16,114
Promotion	30,897	-	9,173	40,070	31,650
Purchased services	200,431	-	89,076	289,507	84,416
Rentals	9,224	-	429	9,653	2,791
Salaries	272,018	-	-	272,018	396,573
Travel and education	9,579	-	80,713	90,292	-
	\$ 625,900	\$ 2,813	\$ 278,418	\$ 907,131	\$ 619,955

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.
Schedule of Administrative Expenses
year ended March 31, 2014

Schedule 2

	<u>2014</u>	<u>2013</u>
Donor recognition	\$ 10,804	\$ 30,828
Equipment	-	4,262
Insurance	3,950	6,793
Interest and bank charges	10,739	9,830
Leased equipment	715	4,016
Meeting expense	5,993	3,478
Miscellaneous	-	522
Office	13,770	3,657
Postage	4,628	4,012
Printing and graphics	2,041	4,892
Professional fees	153,136	134,344
Promotion	2,602	6,937
Salaries (Note 10)	379,347	241,530
Telephone	14,428	4,583
Travel and education	14,933	6,575
	\$ 617,086	\$ 466,259