

Financial Statements of

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

Year ended March 31, 2016



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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, 2016, 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, 2016, 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 22, 2016  
Saint John, Canada

# SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

## Statement of Financial Position

March 31, 2016, with comparative information for 2015


	2016	2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 806,915	\$ 1,596,071
HST recoverable	221,009	165,998
Accounts receivable	76,262	25,000
Deposit on Home Lottery prize	100,000	125,000
Prepaid expenses	9,580	-
	<u>1,213,766</u>	<u>1,912,069</u>
Investments (note 2)	27,145,685	26,803,278
Capital assets (note 3)	9,890	-
	<u>\$ 28,369,341</u>	<u>\$ 28,715,347</u>


## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 346,490	\$ 66,199
Due to the Horizon Health Network (note 4)	131,656	817,150
	<u>478,146</u>	<u>883,349</u>
Fund balances (note 5):		
General funds	7,501,731	7,050,160
Endowment funds - restricted	16,741,786	17,062,861
Designated funds - restricted	3,647,678	3,718,977
	<u>27,891,195</u>	<u>27,831,998</u>
Subsequent event (note 11)		
	<u>\$ 28,369,341</u>	<u>\$ 28,715,347</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, 2016, with comparative information for 2015

	General funds	Endowment funds	Designated funds	Total 2016	Total 2015
<b>Revenues:</b>					
Donations	\$ 1,290,941	\$ 363,631	\$ 1,105,396	\$ 2,759,968	\$ 3,261,397
Gaming (note 6)	1,023,825	—	—	1,023,825	1,140,157
Bank interest income	7,178	—	—	7,178	14,770
Investment income (note 7)	248,233	439,665	—	687,898	630,051
	<u>2,570,177</u>	<u>803,296</u>	<u>1,105,396</u>	<u>4,478,869</u>	<u>5,046,375</u>
<b>Expenses:</b>					
Direct (schedule 1)	779,615	118,007	202,434	1,100,056	1,155,337
Administration (schedule 2)	508,374	34,093	—	542,467	587,849
	<u>1,287,989</u>	<u>152,100</u>	<u>202,434</u>	<u>1,642,523</u>	<u>1,743,186</u>
Excess of revenues over expenses before projects, awards and scholarships	1,282,188	651,196	902,962	2,836,346	3,303,189
Projects, awards and scholarships	587,737	433,736	984,976	2,006,449	2,548,126
	<u>694,451</u>	<u>217,460</u>	<u>(82,014)</u>	<u>829,897</u>	<u>755,063</u>
Unrealized gain (loss) on investments	(235,099)	(535,601)	—	(770,700)	1,426,822
Excess (deficiency) of revenues over expenses and projects for the year	\$ 459,352	\$ (318,141)	\$ (82,014)	\$ 59,197	\$ 2,181,885

See accompanying notes to financial statements.

# SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

## Statement of Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	General funds	Endowment funds	Designated funds	Total 2016	Total 2015
Fund balances, beginning of year	\$ 7,050,160	\$ 17,062,861	\$ 3,718,977	\$ 27,831,998	\$ 25,650,113
Excess (deficiency) of revenues over expenses and projects for the year	459,352	(318,141)	(82,014)	59,197	2,181,885
Fund transfers	(7,781)	(2,934)	10,715	–	–
Fund balances, end of year	\$ 7,501,731	\$ 16,741,786	\$ 3,647,678	\$ 27,891,195	\$ 27,831,998

See accompanying notes to financial statements.

# SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by:		
Operating:		
Excess (deficiency) of revenues over expenses and projects for the year:		
General funds	\$ 459,352	\$ 794,854
Endowment funds	(318,141)	1,355,434
Designated funds	(82,014)	31,597
	59,197	2,181,885
Items not involving cash:		
Realized loss on disposal of investments	22,448	2,851
Unrealized loss (gain) on investments	770,700	(1,426,822)
	852,345	757,914
Change in non-cash operating working capital:		
HST recoverable	(55,011)	(78,433)
Accounts receivables	(51,262)	(20,800)
Deposit on Home Lottery prize	25,000	(25,000)
Accounts payables and accrued liabilities	280,291	(4,194)
Prepaid expenses	(9,580)	-
Due to the Horizon Health Network	(685,494)	707,708
	356,289	1,337,195
Investing activities:		
Proceeds from disposal of investments	1,958,462	1,633,870
Purchase of investments	(3,094,017)	(3,893,773)
Purchase of capital assets	(9,890)	-
	(1,145,445)	(2,259,903)
Decrease in cash and cash equivalents	(789,156)	(922,708)
Cash and cash equivalents, beginning of year	1,596,071	2,518,779
Cash and cash equivalents, end of year	\$ 806,915	\$ 1,596,071

See accompanying notes to financial statements.

# SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2016

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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 fund*

The General fund accounts 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 fund*

The purpose of the designated fund 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 fund*

##### 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 Fund's 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 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.

# SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (a) 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.

### (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) 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.

### (d) 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 \$867 (2015 - \$1,632).

### (e) 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 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, 2016

## 2. Investments:

Investments consist of the following:

	2016	2015
Canadian - fixed income	\$ 13,617,016	\$ 12,773,904
Canadian - equity	10,220,773	10,847,345
United States - equity	2,064,636	1,907,460
International - equity	1,243,260	1,274,569
	<u>\$ 27,145,685</u>	<u>\$ 26,803,278</u>

## 3. Capital assets:

During 2016, office equipment was acquired with a cost of \$9,890. This equipment was not yet in use at year end and no amortization expense was recorded.

## 4. Due to the Horizon Health Network:

	2016	2015
General	\$ 10,411	\$ 47,062
Equipment	121,245	770,088
	<u>\$ 131,656</u>	<u>\$ 817,150</u>

## 5. Commitments:

At March 31, 2016, the Foundation has commitments for expenditures for the following funds:

	General funds	Endowment funds	Designated funds	Total
Fund balances	\$ 7,501,731	\$ 16,741,786	\$ 3,647,678	\$ 27,891,195
Commitments	(3,543,409)	—	—	(3,543,409)
Restricted funds	—	(16,741,786)	(3,647,678)	(20,389,464)
Unrestricted fund balances	<u>\$ 3,958,322</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,958,322</u>

The Endowment fund balance is comprised of \$13,054,809 of capital and \$3,686,977 of realized and unrealized investment income.

# SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2016

## 6. Gaming:

	2016	2015
Revenues:		
Home lottery	\$ 3,394,982	\$ 3,487,940
Employee lottery	144,350	155,375
	<u>3,539,332</u>	<u>3,643,315</u>
Expenses:		
Home lottery	2,467,352	2,444,074
Employee lottery	48,155	59,084
	<u>2,515,507</u>	<u>2,503,158</u>
Excess of revenues over expenses	<u>\$ 1,023,825</u>	<u>\$ 1,140,157</u>

## 7. Investment income:

	2016	2015
Investment income	\$ 831,400	\$ 760,939
Management fees	(143,502)	(130,888)
	<u>\$ 687,898</u>	<u>\$ 630,051</u>

Investment income includes realized loss on disposal of investments of \$22,448 (2015 - loss \$2,851).

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 fund 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 fund. The investment income not allocated to the endowment fund is allocated to the general fund.

## 8. 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, 2016

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## 9. 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 \$847,438 (2015 - \$1,991,652).

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 \$78,650 (2015 - \$65,885) from organizations related to directors of the Board of the Foundation. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. At year end, \$5,258 (2015 - nil) remained in accounts payable.

## 10. 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, 2016, cash and investment balances of \$493 and \$3,307,897, respectively, (2015 - \$286 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, 2016

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## 11. Subsequent event:

The New Brunswick Medical Education Trust, originally a committee of the Board of the Directors of the Saint John Regional Hospital Foundation, Inc. (Foundation), has met the requirements for charitable registration under the *Income Tax Act* and is now an independent foundation, operating under a new name : The New Brunswick Medical Education Foundation Inc. (NBMEFI).

On April 7, 2016 the Board of the Foundation committed to donate to NBMEFI 18 endowment funds having a fair market value on March 31, 2016 of \$5,276,471. These investments are currently recorded as part of the Endowment Fund. These endowments were created with funds donated to the Foundation for the purposes of providing financial assistance to individuals who are admitted into an accredited medical school.

# SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

## Schedule 1 - Direct Expenses

Year ended March 31, 2016, with comparative information for 2015

	General funds	Endowment funds	Designated funds	Total 2016	Total 2015
Bank charges	\$ 15,492	\$ -	\$ 1,265	\$ 16,757	\$ 15,903
Donor recognition	1,766	-	-	1,766	3,248
Event supplies	17,705	2,236	113,847	133,788	76,425
Food	18,363	2,353	56,892	77,608	105,909
Miscellaneous	(52,592)	104	2,651	(49,837)	1,969
Office	7,566	1,724	-	9,290	16,223
Postage	16,545	289	251	17,085	17,725
Printing/graphics	23,758	10	-	23,768	39,978
Professional fees	64,269	-	415	64,684	79,832
Promotion	130,200	4,267	3,298	137,765	155,716
Purchased services	17,305	12,645	5,983	35,933	52,120
Rentals	1,571	752	1,175	3,498	17,922
Salaries	512,631	91,763	-	604,394	400,313
Travel and education	5,036	1,864	16,657	23,557	172,054
	\$ 779,615	\$ 118,007	\$ 202,434	\$ 1,100,056	\$ 1,155,337

## Schedule 2 - Administrative Expenses

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Donor recognition	\$ 2,834	\$ 15,860
Insurance	5,714	5,554
Interest and bank charges	10,748	9,420
Leased equipment	376	925
Meeting expense	10,510	5,809
Miscellaneous	9,368	17,349
Office	13,364	18,648
Postage	2,344	1,050
Printing and graphics	1,868	20,985
Professional fees	117,249	105,695
Promotion	1,882	2,787
Salaries	324,050	362,267
Telephone	11,297	8,292
Travel and education	30,863	13,208
	\$ 542,467	\$ 587,849