

Financial Statements of

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

Year ended March 31, 2018



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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, 2018, 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 control 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 (deficiency) 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, 2018, 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
Saint John, Canada
June 27, 2018

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SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Financial Position

March 31, 2018, with comparative information for 2017

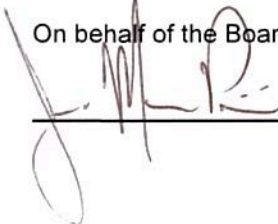
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 619,290	\$ 1,773,678
HST recoverable	127,485	140,970
Accounts receivable	30,725	36,000
Pledges receivable	180,000	55,000
Deposit on Home Lottery prize	100,000	100,000
Prepaid expenses	34,053	7,664
	<u>1,091,553</u>	<u>2,113,312</u>
Pledges receivable	110,115	90,000
Investments (note 2)	22,784,392	22,917,354
Capital assets (note 3)	169,665	7,912
	<u>\$ 24,155,725</u>	<u>\$ 25,128,578</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 67,966	\$ 164,727
Due to Horizon Health Network	326,032	1,573,644
	<u>393,998</u>	<u>1,738,371</u>
Fund balances (note 4):		
General funds	6,845,215	7,064,794
Endowment funds - restricted	12,411,063	12,757,911
Designated funds - restricted	4,505,449	3,567,502
	<u>23,761,727</u>	<u>23,390,207</u>
	<u>\$ 24,155,725</u>	<u>\$ 25,128,578</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, 2018, with comparative information for 2017

	General funds	Endowment funds	Designated funds	Total 2018	Total 2017
Revenues:					
Donations	\$ 2,103,114	\$ 174,481	1,882,127	\$ 4,159,722	\$ 3,842,190
Gaming (note 5)	1,054,199	-	-	1,054,199	925,802
Bank interest income	3,454	-	-	3,454	5,583
Investment Income (note 6)	346,005	384,190	-	730,195	1,682,620
	<u>3,506,772</u>	<u>558,671</u>	<u>1,882,127</u>	<u>5,947,570</u>	<u>6,456,195</u>
Expenses:					
Direct (Schedule 1)	937,360	-	106,538	1,043,898	954,992
Administrative (Schedule 2)	485,228	-	-	485,228	525,535
	<u>1,422,588</u>	<u>-</u>	<u>106,538</u>	<u>1,529,126</u>	<u>1,480,527</u>
Excess of revenues over expenses before projects, awards, donations and scholarships	2,084,184	558,671	1,775,589	4,418,444	4,975,668
Projects, awards, donations and scholarships (note 9)	2,174,890	746,242	847,948	3,769,080	9,803,406
	<u>(90,706)</u>	<u>(187,571)</u>	<u>927,641</u>	<u>649,364</u>	<u>(4,827,738)</u>
Unrealized gain (loss) on investments	(123,786)	(154,058)	-	(277,844)	326,750
Excess (deficiency) of revenues over expenses	\$ (214,492)	\$ (341,629)	927,641	\$ 371,520	\$ (4,500,988)

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Changes In Fund Balances

Year ended March 31, 2018, with comparative information for 2017

	General funds	Endowment funds	Designated funds	Total 2018	Total 2017
Fund balances, beginning of year	\$ 7,064,794	\$ 12,757,911	\$ 3,567,502	\$ 23,390,207	\$ 27,891,195
Excess (deficiency) of revenues over expenses	(214,492)	(341,629)	927,641	371,520	(4,500,988)
Fund transfers	(5,087)	(5,219)	10,306	-	-
Fund balances, end of year	\$ 6,845,215	\$ 12,411,063	\$ 4,505,449	\$ 23,761,727	\$ 23,390,207

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenues over expenses:		
General funds	\$ (214,492)	\$ (637,900)
Endowment funds	(341,629)	(3,938,445)
Designated funds	927,641	75,357
	<u>371,520</u>	<u>(4,500,988)</u>
Items not involving cash:		
Realized gain on disposal of investments	(229,872)	(1,095,401)
Unrealized loss (gain) on investments	277,844	(326,750)
Amortization	1,978	1,978
	<u>421,470</u>	<u>(5,921,161)</u>
Changes in non-cash operating working capital:		
HST recoverable	13,485	80,039
Accounts receivable	5,275	40,262
Pledges receivable	(145,115)	(145,000)
Prepaid expenses	(26,389)	1,916
Accounts payable and accrued liabilities	(96,761)	(181,763)
Due to Horizon Health Network	(1,247,612)	1,441,988
	<u>(1,075,647)</u>	<u>(4,683,719)</u>
Investing activities:		
Proceeds from disposal of investments	2,304,887	8,512,070
Purchase of investments	(2,219,897)	(2,861,588)
Purchase of capital assets	(163,731)	-
	<u>(78,741)</u>	<u>5,650,482</u>
Increase (decrease) in cash and cash equivalents	(1,154,388)	966,763
Cash and cash equivalents, beginning of year	1,773,678	806,915
Cash and cash equivalents, end of year	<u>\$ 619,290</u>	<u>\$ 1,773,678</u>

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2018

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.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (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 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, 2018

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.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2018

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

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.

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

2. Investments:

Investments consist of the following:

	2018	2017
Canadian - fixed income	\$ 11,386,746	\$ 11,708,104
Canadian - equity	8,026,020	8,406,072
United States - equity	3,005,559	1,788,629
International - equity	366,067	1,014,549
	<u>\$ 22,784,392</u>	<u>\$ 22,917,354</u>

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Capital assets:

			2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value		
Office and equipment	\$ 9,890	\$ 3,956	\$ 5,934	\$ 7,912		
Leasehold improvements	163,731	-	163,731	-		
	\$ 173,621	\$ 3,956	\$ 169,665	\$ 7,912		

4. Commitments:

At March 31, 2018, the Foundation has commitments for expenditures for the following funds:

	General funds	Endowment funds	Designated funds	Total
Fund balances	\$ 6,845,215	\$ 12,411,063	\$ 4,505,449	\$ 23,761,727
Commitments	(3,965,855)	-	-	(3,965,855)
Restricted funds	-	(12,411,063)	(4,505,449)	(16,916,512)
Unrestricted fund balances	\$ 2,879,360	\$ -	\$ -	\$ 2,879,360

The Endowment funds balance is comprised of \$9,315,961 of capital and \$3,095,102 of realized and unrealized investment income.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Gaming:

	2018	2017
Revenues:		
Home lottery	\$ 3,496,409	\$ 3,318,266
Employee lottery	127,300	140,970
	<u>3,623,709</u>	<u>3,459,236</u>
Expenses:		
Home lottery	2,534,200	2,479,327
Employee lottery	35,310	54,107
	<u>2,569,510</u>	<u>2,533,434</u>
Excess of revenues over expenses	<u>\$ 1,054,199</u>	<u>\$ 925,802</u>

6. Investment income:

	2018	2017
Investment income	\$ 853,642	\$ 1,809,127
Management fees	(123,447)	(126,507)
	<u>\$ 730,195</u>	<u>\$ 1,682,620</u>

Investment income includes realized gain on disposal of investments of \$229,872 (2017 - \$1,095,401).

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

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. 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 \$2,308,429 (2017 - \$3,462,331).

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 \$1,192 (2017 - \$2,531) 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.

8. 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) 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.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Financial risks (continued):

(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 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, 2018, cash and investment balances of nil and \$3,371,626 respectively, (2017 - \$3,267 and \$2,803,178) are denominated in United States dollars and converted into Canadian dollars.

(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. There has been no change to the risk exposures from 2017.

9. Donation:

In 2017, 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, 2018, with comparative information for 2017

	General funds	Designated funds	Total 2018	Total 2017
Bank charges	\$ 9,430	\$ 1,331	\$ 10,761	\$ 11,037
Donor recognition	1,140	103	1,243	23
Event supplies	47,375	5,387	52,762	39,132
Food	9,209	25,521	34,730	23,236
Miscellaneous	6,125	2,208	8,333	3,559
Office	2,127	-	2,127	12,300
Postage	28,719	-	28,719	33,347
Printing/graphics	20,311	2,037	22,348	15,564
Professional fees	34,550	-	34,550	52,868
Promotion	209,493	69,870	279,363	149,902
Purchased services	1,916	-	1,916	1,917
Rentals	-	-	-	337
Salaries	559,033	-	559,033	609,175
Travel and education	7,932	81	8,013	2,595
	\$ 937,360	\$ 106,538	\$ 1,043,898	\$ 954,992

Schedule 2 - Administrative Expenses

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Amortization	\$ 1,978	\$ 1,978
Donor recognition	13,149	12,535
Insurance	5,714	5,714
Interest and bank charges	12,129	11,918
Meeting expense	7,121	6,461
Miscellaneous	11,902	15,295
Office	32,480	22,486
Postage	176	51
Printing and graphics	2,734	2,259
Professional fees	33,131	56,952
Promotion	-	1,029
Salaries	323,011	343,168
Telephone	10,893	10,741
Travel and education	30,810	34,948
	\$ 485,228	\$ 525,535