

Financial Statements of

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

And Independent Auditor's Report thereon

Year ended March 31, 2024



KPMG LLP

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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, 2024
- 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 and schedules 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 auditor's report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2024 and its results of operations, its changes in fund balances 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, 2024 and March 31, 2023
- the donations and gaming revenues and revenue and excess (deficiency) of revenues over expenses for the years, reported in the statements of operations for the years ended March 31, 2024 and March 31, 2023



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- the fund balances, at the beginning and and at the end of year, reported in the statements of changes in fund balances for the years ended March 31, 2024 and March 31, 2023
- the excess (deficiency) of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2024 and March 31, 2023

Our opinion on the financial statements for the year ended March 31, 2023 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 **"Auditor's Responsibilities for the Audit of the Financial Statements"** section of our auditor's 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 qualified 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.

Auditor's 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 auditor's 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.



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As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

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 auditor's 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 auditor's 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.

KPMG LLP

Chartered Professional Accountants

Saint John, Canada

June 14, 2024

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Financial Position

March 31, 2024, with comparative information for 2023

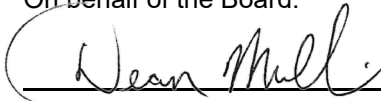
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,871,737	\$ 3,918,249
HST recoverable	279,591	290,832
Accounts receivable	-	2,522
Pledges receivable	422,634	857,155
Deposits	390,530	655,644
Prepaid expenses	28,461	25,738
	<u>2,992,953</u>	<u>5,750,140</u>
Pledges receivable	922,663	1,346,646
Investments (note 2)	31,807,643	29,438,548
Property held for fundraising	353,858	-
Capital assets (note 3)	647,433	182,319
	<u>\$ 36,724,550</u>	<u>\$ 36,717,653</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 116,690	\$ 158,351
Grants payable to Horizon Health Network	1,452,370	1,475,010
	<u>1,569,060</u>	<u>1,633,361</u>
Fund balances (note 4):		
General funds	11,814,680	16,231,038
Endowment funds - restricted	17,739,054	12,947,383
Designated funds - restricted	5,601,756	5,905,871
	<u>35,155,490</u>	<u>35,084,292</u>
	<u>\$ 36,724,550</u>	<u>\$ 36,717,653</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, 2024, with comparative information for 2023

	General funds	Endowment funds	Designated funds	Total 2024	Total 2023
Revenues:					
Donations	\$ 3,103,600	\$ 4,120,541	\$ 1,336,499	\$ 8,560,640	\$ 6,234,173
Gaming (note 5)	2,230,659	-	-	2,230,659	2,362,767
Bank interest income	198,884	-	-	198,884	73,824
Investment Income (note 6)	737,850	696,434	-	1,434,284	1,035,749
	<u>6,270,993</u>	<u>4,816,975</u>	<u>1,336,499</u>	<u>12,424,467</u>	<u>9,706,513</u>
Expenses:					
Direct (Schedule 1)	1,545,761	-	9,527	1,555,288	1,331,955
Administrative (Schedule 2)	1,188,702	-	-	1,188,702	886,758
	<u>2,734,463</u>	<u>-</u>	<u>9,527</u>	<u>2,743,990</u>	<u>2,218,713</u>
Excess of revenues over expenses before projects, awards, donations and scholarships	3,536,530	4,816,975	1,326,972	9,680,477	7,487,800
Projects, awards, donations and scholarships	8,968,450	303,308	1,566,518	10,838,276	9,025,235
	<u>(5,431,920)</u>	<u>4,513,667</u>	<u>(239,546)</u>	<u>(1,157,799)</u>	<u>(1,537,435)</u>
Unrealized gain (loss) on investments	683,910	545,087	-	1,228,997	(1,614,832)
Excess (deficiency) of revenues over expenses	\$ <u>(4,748,010)</u>	\$ <u>5,058,754</u>	\$ <u>(239,546)</u>	\$ <u>71,198</u>	\$ <u>(3,152,267)</u>

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Changes in Fund Balances

Year ended March 31, 2024, with comparative information for 2023

	General funds	Endowment funds	Designated funds	Total 2024	Total 2023
Fund balances, beginning of year	\$ 16,231,038	\$ 12,947,383	\$ 5,905,871	\$ 35,084,292	\$ 38,236,559
Excess (deficiency) of revenues over expenses	(4,748,010)	5,058,754	(239,546)	71,198	(3,152,267)
Fund transfers	331,652	(267,083)	(64,569)	-	-
Fund balances, end of year	\$ 11,814,680	\$ 17,739,054	\$ 5,601,756	\$ 35,155,490	\$ 35,084,292

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenues over expenses		
General funds	\$ (4,748,010)	\$ (3,297,559)
Endowment funds	5,058,754	165,229
Designated funds	(239,546)	(19,937)
	<u>71,198</u>	<u>(3,152,267)</u>
Items not involving cash:		
Loss on disposal of capital assets	33,494	-
Realized gain on disposal of investments	(589,430)	(460,355)
Unrealized (gain) loss on investments	(1,228,997)	1,614,832
Amortization	26,270	16,006
	<u>(1,687,465)</u>	<u>(1,981,784)</u>
Changes in non-cash operating working capital:		
HST recoverable	11,241	(54,074)
Accounts receivable	2,522	(2,522)
Pledges receivable	858,504	105,810
Deposits	265,114	(510,644)
Prepaid expenses	(2,723)	(4,719)
Accounts payable and accrued liabilities	(41,661)	80,524
Grants payable to Horizon Health Network	(22,640)	1,439,572
	<u>1,070,357</u>	<u>1,053,947</u>
	<u>(617,108)</u>	<u>(927,837)</u>
Investing activities:		
Proceeds from disposal of investments	4,524,305	4,003,032
Purchase of investments	(5,074,974)	(4,541,491)
Purchase of capital assets	(524,877)	(13,828)
Purchase of property held for fundraising	(353,858)	-
	<u>(1,429,404)</u>	<u>(552,287)</u>
Decrease in cash and cash equivalents	(2,046,512)	(1,480,124)
Cash and cash equivalents, beginning of year	3,918,249	5,398,373
Cash and cash equivalents, end of year	<u>\$ 1,871,737</u>	<u>\$ 3,918,249</u>

See accompanying notes to financial statements.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended March 31, 2024

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

The Endowment Fund represents amounts either received from a donor or internally restricted by the Board of Directors that require that the principal be invested by the Foundation permanently. Investment income generated on endowments must be used in accordance with the various purposes established by the donor or the Board of Directors. The Foundation has established an Endowment Management Policy and an Investment Policy to manage endowments.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

Fund Accounting (continued)

Endowment funds (continued)

Horizon Health Network endowments

There are three endowments that were established by the Government to support Education, Research and Recruitment and Retention through out the Horizon Health Network. The endowment agreements establish that charitable purpose is directed by the Hospital Authority in alignment with the purpose of the endowment and that capital may be encroached upon.

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.

(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.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

1. Significant accounting policies (continued):

(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) 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, 2024

1. Significant accounting policies (continued):

(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 pledges receivable, the useful lives of capital assets, and accruals. Actual results could differ from those estimated.

2. Investments:

Investments consist of the following:

	2024	2023
Canadian - fixed income	\$ 13,315,426	\$ 12,180,534
Canadian - equity	10,636,088	10,576,646
United States - equity	6,400,676	5,529,521
International - equity	1,455,453	1,151,847
	<u>\$ 31,807,643</u>	<u>\$ 29,438,548</u>

3. Capital assets:

	2024		2023	
	Cost	Accumulated amortization	Net book value	Net book value
Office and equipment	\$ 32,733	\$ 21,311	\$ 11,422	\$ 49,485
Leasehold improvements	712,482	76,471	636,011	132,834
	<u>\$ 745,215</u>	<u>\$ 97,782</u>	<u>\$ 647,433</u>	<u>\$ 182,319</u>

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

4. Commitments:

At March 31, 2024, the Foundation has commitments for expenditures for the following funds:

	General funds	Endowment funds	Designated funds	Total
Fund balances	\$ 11,814,680	\$ 17,739,054	\$ 5,601,756	\$ 35,155,490
Commitments	(5,391,010)	-	-	(5,391,010)
Restricted funds	-	(17,739,054)	(5,601,756)	(23,340,810)
Unrestricted fund balances	\$ 6,423,670	\$ -	\$ -	\$ 6,423,670

The Endowment funds balance is comprised of \$15,063,471 of capital and \$2,675,583 of realized and unrealized investment income.

5. Gaming:

	2024	2023
Revenues:		
Home lottery	\$ 6,879,713	\$ 7,050,474
Employee lottery	102,720	91,040
	6,982,433	7,141,514
Expenses:		
Home lottery	4,709,711	4,738,892
Employee lottery	42,063	39,855
	4,751,774	4,778,747
Excess of revenues over expenses	\$ 2,230,659	\$ 2,362,767

6. Investment income:

	2024	2023
Investment income	\$ 1,600,836	\$ 1,196,422
Management fees	(166,552)	(160,673)
	\$ 1,434,284	\$ 1,035,749

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

6. Investment income (continued):

Investment income includes realized gain on disposal of investments of \$589,430 (2023 - \$460,355).

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. 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 \$9,816,722 (2023 - \$7,239,200).

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.

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) 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.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended March 31, 2024

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 25% (2023 - 23%) 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, 2024, cash and investment balances of \$155,324 and \$7,856,129 respectively, (2023 - \$1,595 and \$6,681,367) are denominated in United States dollars and translated 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. The Foundation is exposed to credit risk on its pledges receivables. The collectability of the pledges receivable is assessed on an individual basis and written off in the statement of operations when deemed not recoverable. During the year, the Foundation recognized \$15,000 of pledges in donation revenue. There has been no change to the risk exposures from 2023.

SAINT JOHN REGIONAL HOSPITAL FOUNDATION, INC.

Schedule 1 - Direct Expenses

Year ended March 31, 2024, with comparative information for 2023

	General funds	Designated funds	Total 2024	Total 2023
Bank charges	\$ 22,411	\$ -	\$ 22,411	\$ 21,435
Donor recognition	979	-	979	790
Event supplies	32,964	2,366	35,330	27,510
Catering	2,960	5,230	8,190	20,410
Miscellaneous	3,262	1,931	5,193	36,871
Office	1,457	-	1,457	4,200
Postage	35,515	-	35,515	24,645
Printing/graphics	48,835	-	48,835	42,426
Professional fees	114,540	-	114,540	38,474
Promotion	216,118	-	216,118	237,906
Purchased services	867	-	867	4,295
Salaries and benefits	1,061,643	-	1,061,643	867,668
Travel and education	4,210	-	4,210	5,325
	\$ 1,545,761	\$ 9,527	\$ 1,555,288	\$ 1,331,955

Schedule 2 - Administrative Expenses

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Amortization	\$ 26,270	\$ 16,006
Donor recognition	29,382	14,985
Insurance	7,608	7,258
Interest and bank charges	4,958	8,845
Meeting expense	24,309	15,888
Miscellaneous	62,399	25,184
Office	84,327	75,697
Postage	321	146
Printing and graphics	-	119
Professional fees	216,189	180,985
Salaries and benefits	645,487	464,691
Telephone	11,579	11,702
Travel and education	75,873	65,252
	\$ 1,188,702	\$ 886,758