



Financial statements

The Chalmers Regional Hospital Foundation Inc.

December 31, 2014

Contents

	Page
Independent auditors' report	1 - 2
Statement of operations and changes in fund balances	3
Statement of financial position	4
Statement of cash flows	5
Notes to the financial statements	6 - 15

Independent auditors' report

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To the Directors of
The Chalmers Regional Hospital Foundation Inc.

We have audited the accompanying financial statements of **The Chalmers Regional Hospital Foundation Inc.**, which comprise the statement of financial position as at December 31, 2014, and the statements of operations and changes in fund balances and cash flows for the year then ended, 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, 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 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 the auditor's 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, the auditor considers 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities, 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. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, assets and fund balances. Our audit opinion on the financial statements for the year ended December 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2014 and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The signature of Grant Thornton LLP is written in a cursive, handwritten style.

Fredericton, NB
May 26, 2015

Grant Thornton LLP
Chartered Accountants

The Chalmers Regional Hospital Foundation Inc.
Statement of operations and changes in fund balances
Year Ended December 31

	Unrestricted fund	Restricted funds	Endowment funds	Total 2014	Total 2013
Revenues					
Contributions	\$ 284,326	\$ 359,627	\$ 1,099,850	\$ 1,743,803	\$ 1,042,490
Investment income (net) (note 7)	336,341	137,532	97,961	571,834	669,194
Health Blooms (net) (note 8)	-	-	-	-	135,802
Ladies Charity Golf Tournament (net) (note 9)	-	-	-	-	15,796
My Special Gal (net) (note 10)	-	5,746	-	5,746	-
Hospital staff lottery (net) (note 11)	74,865	-	-	74,865	72,813
	<u>695,532</u>	<u>502,905</u>	<u>1,197,811</u>	<u>2,396,248</u>	<u>1,936,095</u>
Expenses					
Fund raising (note 12)	251,664	-	-	251,664	232,887
Administration (note 13)	70,765	-	-	70,765	54,740
	<u>322,429</u>	<u>-</u>	<u>-</u>	<u>322,429</u>	<u>287,627</u>
Excess of revenue over expenses before the undernoted	<u>373,103</u>	<u>502,905</u>	<u>1,197,811</u>	<u>2,073,819</u>	<u>1,648,468</u>
Distributions					
Dr. Everett Chalmers Regional Hospital	348,157	993,955	-	1,342,112	826,668
Hospice Fredericton	15,920	109,080	-	125,000	-
	<u>364,077</u>	<u>1,103,035</u>	<u>-</u>	<u>1,467,112</u>	<u>826,668</u>
Excess (deficiency) of revenue over expenses	<u>9,026</u>	<u>(600,130)</u>	<u>1,197,811</u>	<u>606,707</u>	<u>821,800</u>
Fund balance, beginning of year	<u>499,492</u>	<u>2,586,295</u>	<u>3,194,369</u>	<u>6,280,156</u>	<u>5,458,356</u>
Fund balance, end of year	<u>\$ 508,518</u>	<u>\$ 1,986,165</u>	<u>\$ 4,392,180</u>	<u>\$ 6,886,863</u>	<u>\$ 6,280,156</u>

See accompanying notes to the financial statements.

The Chalmers Regional Hospital Foundation Inc.
Statement of financial position

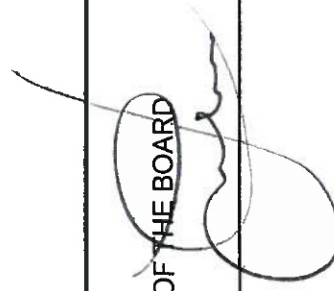
December 31

	Unrestricted fund	Restricted funds	Endowment funds	Total 2014	Total 2013
Assets					
Current assets					
Cash and cash equivalents	\$ 113,900	\$ 2,663	\$ -	\$ 116,563	\$ 162,892
Receivables	5,971	-	-	5,971	7,372
Accrued interest receivable	-	19,939	-	19,939	18,546
Contributions receivable	-	46,746	-	46,746	19,118
	119,871	69,348	-	189,219	207,928
Investments (note 6)	444,161	1,916,817	4,392,180	6,753,158	6,109,174
	\$ 564,032	\$ 1,986,165	\$ 4,392,180	\$ 6,942,377	\$ 6,317,102

Liabilities and fund balances

Current liabilities					
Payables and accruals	\$ 55,514	\$ -	\$ -	\$ 55,514	\$ 36,946
Fund balances (note 3)	508,518	1,986,165	4,392,180	6,886,863	6,280,156
	\$ 564,032	\$ 1,986,165	\$ 4,392,180	\$ 6,942,377	\$ 6,317,102

ON BEHALF OF THE BOARD



Director



Director

See accompanying notes to the financial statements.

The Chalmers Regional Hospital Foundation Inc.

Statement of cash flows

Year Ended December 31

2014

2013

(Decrease) increase in cash and cash equivalents

Operating		
Excess of revenues over expenditures	\$ 606,707	\$ 821,800
Non-cash item adjustments		
Unrealized gain	<u>(29,635)</u>	<u>(206,505)</u>
	577,072	615,295
Changes in		
Receivables	1,401	(239)
Accrued interest receivable	(1,393)	(1,073)
Contributions receivable	(27,628)	26,393
Payables and accruals	<u>18,568</u>	<u>123</u>
	568,020	640,499
Investing		
Increase in investments (net)	(614,349)	(717,331)
Proceeds from sale of contributed property	<u>-</u>	<u>70,763</u>
	(614,349)	(646,568)
Net decrease in cash and cash equivalents	(46,329)	(6,069)
Cash and cash equivalents, beginning of year	<u>162,892</u>	<u>168,961</u>
Cash and cash equivalents, end of year	\$ 116,563	\$ 162,892

See accompanying notes to the financial statements.

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

1. Nature of operations

The Chalmers Regional Hospital Foundation Inc. (the "Foundation") is incorporated as a not-for-profit corporation without share capital under the Companies Act of New Brunswick. The Foundation's principal activities include raising, investing and distributing funds to the Dr. Everett Chalmers Regional Hospital for the enhancement of the hospital's services and facilities. The Foundation is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Summary of significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

The Foundation follows the fund basis of accounting which provides for a separate self-balancing group of accounts to enable separate accountability for assets that are to be used for certain designated purposes. Separate accounts are maintained for each fund. For financial statement purposes funds that have similar characteristics have been combined into fund groups as follows:

Revenues and expenses and fund balances relating to general activities are reported in the Unrestricted Fund. The use of unrestricted funds is at the discretion of the Board.

Revenues and expenses and fund balances related to donor specific purposes are reported as Restricted Funds. The Board has also designated certain fund balances as restricted for specific purposes. The Board may remove its restrictions at its own discretion.

Endowment contributions and fund balances are reported in the Endowment Funds. Endowment Funds are those where the donor has stipulated that the contributed funds remain intact and the capital remain unspent in perpetuity. The Board has also designated certain fund balances as restricted for endowment purposes. The Board may remove its restrictions on these designated funds at its own discretion.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as revenue in the Endowment Fund. For substantial unrestricted bequests where a portion of the donation is allocated by the Board to the Endowment Fund (\$100,000 and up), up to 50% of the contribution may be transferred to fund an operating deficit, if any.

Investment income earned on Endowment Fund resources that must be spent on externally restricted expenses is recognized as revenue of the Restricted Funds. All other investment income is recognized as revenue of the Unrestricted Fund when earned.

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Expense recognition

Expenses are recognized on an accrual basis as costs are incurred. Administration and fundraising expenditures are not subject to reallocation procedures to projects and activities.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Investments

Investments are reported at fair value using quoted market prices with changes in fair value recognized as unrealized gains or losses in net income. Transactions costs related to the purchase of investments are charged immediately to net income.

Capital assets

Capital assets with a cost exceeding \$5,000 are capitalized and amortized over their estimated useful lives. All other capital assets are expensed in the year of acquisition.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Financial instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Foundation accounts for the following as financial instruments:

- cash and cash equivalents
- receivables
- investments
- payables and accruals

A financial assets or liability is recognized when the Foundation becomes party to contractual provisions of the instrument.

Financial assets or liabilities obtained in arm's length transactions are initially measured at their fair value. In the case of a financial asset or liability not being subsequently measured at fair value, the initial fair value will be adjusted for financing fees and transaction costs that are directly attributable to its origination, acquisition, issuance or assumption. Financing fees and transaction costs on financial instruments subsequently measured at fair value are expensed as incurred.

The Chalmers Regional Hospital Foundation Inc.
Notes to the financial statements
December 31, 2014

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

The Foundation subsequently measures all of its financial assets and financial liabilities at cost or amortized cost less any reduction for impairment, except for investments in equity instruments that are quoted in an active market, which are measured at fair value, and certain financial assets and financial liabilities which the Foundation has elected to measure at fair value. Changes in fair value are recognized in net income.

Financial assets measured at cost or amortized cost less any reduction for impairment include cash and cash equivalents and receivables. Financial liabilities measured at amortized cost include accounts payable and accruals. Financial instruments measured at fair value include investments. On initial recognition the Foundation elected to measure investments at fair value.

The fair value of investments in publicly traded companies has been determined using the closing price at year end.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Significant items subject to such estimates and assumptions include the fair value of investments. Actual results could differ from those estimates.

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

3. Restrictions on fund balances (major categories)

<u>Category</u>	<u>Opening balance</u>	<u>Current year contributions</u>	<u>Investment income allocated</u>	<u>Current year disbursements</u>	<u>Transfers</u>	<u>Total 2014</u>	<u>Total 2013</u>
Improved patient care	\$ 254,348	\$ -	\$ 91,336	\$ (116,328)	\$ -	\$ 229,356	\$ 254,348
Miscellaneous ("D" Fund)	1,459,769	337,518	46,196	(191,556)	-	1,651,927	1,459,769
G.I. Lab	365,292	600	-	(365,892)	-	-	365,292
NICU Retcam	78,802	26,080	-	-	-	104,882	78,802
ICU Making a Difference	<u>428,084</u>	<u>1,175</u>	<u>-</u>	<u>(429,259)</u>	<u>-</u>	<u>-</u>	<u>428,084</u>
	<u>\$ 2,586,295</u>	<u>\$ 365,373</u>	<u>\$ 137,532</u>	<u>\$ (1,103,035)</u>	<u>\$ -</u>	<u>\$ 1,986,165</u>	<u>\$ 2,586,295</u>

Included in miscellaneous are contributions restricted for particular departments and programs of the Dr. Everett Chalmers Regional Hospital.

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

3. Restrictions on fund balances (major categories) (continued)

Restrictions on investment income earned by Endowment Funds:

	<u>2014</u>	<u>2013</u>
Endowment from Friends of the Fredericton Hospital Foundation Inc., 95% of the net income from which is externally restricted by a trust agreement for improved patient care, and 5% of the net income to be added to the endowment capital.	\$ 1,153,051	\$ 1,140,374
Lillian Freeman Endowment, 100% of income to special equipment and educational support for the Cardiac Care Unit.	24,620	24,451
Dr. Ivan and Millie Crowell Education Fund Endowment, 75% of net income to accumulate in the principal of the fund until it reaches \$1,000,000, 25% of the net income to be used for continued education. After \$1,000,000 endowment is reached, 95% of net earnings can be drawn down annually.	902,492	843,346
Milton Levine Endowment, 100% of the income to special equipment and educational support for the Cardiac Care Unit.	17,084	16,968
Roberta Scott Endowment, 25% of net income to accumulate in the principal of the fund, 75% of the net income to be used for senior patient comfort items approved by the Director of Healthy Aging and Rehabilitation Program.	55,522	51,761
Helen F. Green Endowment, the income from which is externally restricted for cancer care.	96,418	95,757
Edison and Lois Phillips Endowment, 90% of the income from which is externally restricted for "special equipment" purchases, and 10% to be added to the endowment capital.	82,980	26,044
Dr. Alfred Warner Memorial Fund Endowment, the income from which is externally restricted for research and education.	17,053	16,936
Dr. A.F. Torrie Orthopedic Education Endowment, 95% of the income from which is externally restricted for continued education and 5% to be added to the endowment capital.	12,447	12,310
Dr. Garfield A. Moffatt Library Endowment, 95% of the income from which is externally restricted for Library operations and 5% to be added to the endowment capital.	21,543	21,306
Ronald Hovey Endowment Fund, 25% of net income to accumulate in the principal of the fund, 75% of the net income to support the Oncology Department at the Dr. Everett Chalmers Regional Hospital.	53,094	51,649
Eugene Burpee Endowment Fund, 100% of net income to be used for funding scholarships or bursaries to assist nursing students with their education at the Dr. Everett Chalmers Regional Hospital.	72,313	71,817

The Chalmers Regional Hospital Foundation Inc.
Notes to the financial statements
December 31, 2014

3. Restrictions on fund balances (major categories) (continued)

Dr. Jeff Moore & Dr. Sherri Lee Sansom Endowment, 10% of net income to accumulate in the principal of the fund until it reaches \$100,000, 90% of the net income to be used for the current year campaign. After \$100,000 endowment is reached, 90% of net income will be divided evenly for Internal Medicine and Obstetrics and Gynecology.	18,288	14,759
Endowments, the income from which is unrestricted:		
Eugene and Verna McCarthy Endowment Fund	250,602	248,884
John and Wilma Clark Endowment Fund	115,164	114,375
Other	<u>1,499,509</u>	<u>443,632</u>
	<u>\$ 4,392,180</u>	<u>\$ 3,194,369</u>

4. Related party transactions

The main purpose of the Foundation is to raise, invest and distribute funds to the Dr. Everett Chalmers Regional Hospital. The Foundation office is located in the hospital and receives the benefit of goods and services, the cost of which have not been identified nor recorded in the financial statements.

5. Financial instruments

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposures and concentrations at December 31, 2014:

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation is mainly exposed to interest rate risk and currency risk:

I. Interest rate risk

The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments. The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities. Further details about the fixed rate investments are included in note 6.

II. Currency risk

The value of securities denominated in a currency other than the Canadian dollar will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. The Foundation's investment manager mitigates this risk by limiting concentration levels. There has been no change to the risk exposures since 2013.

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

5. Financial instruments (continued)

b) Credit risk

The Foundation is exposed to credit risk on its fixed income investments as a default by the bond issuer would cause a financial loss for the Foundation. The Foundation mitigates this risk by restricting fixed income investments to instruments with high quality credit ratings assigned by a well-recognized credit agency, and by limiting exposure to individual investments. There has been no change to the risk exposures since 2013.

c) Liquidity risk

Liquidity risk is the risk that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due. The Foundation is exposed to this risk mainly in respect of its payables and accruals. The Foundation meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

6. Investments

Composition of the total investment portfolio as at December 31 was as follows:

	<u>2014</u>	<u>2013</u>
Cash	\$ 207,255	\$ 290,613
Fixed income	2,679,139	2,263,118
Equities - Canadian	3,167,766	2,824,118
Equities - Foreign	<u>698,998</u>	<u>731,325</u>
	<u>\$ 6,753,158</u>	<u>\$6,109,174</u>

Details of bond maturities and interest ranges for investments held as at December 31, 2014 are as follows:

	<u>Market</u> <u>value</u>	<u>Interest</u> <u>range</u>
One year to five years	\$ 1,007,361	1.7 – 4.5%
More than five years	\$ 1,671,778	2.35 – 6.5%

The Foundation has established policies for the management of its investments. All of the Foundation's investments are managed by independent, external investment managers. The compliance of these managers with the investment policies is monitored on a regular basis.

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

7. Investment income (net)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowment</u>	Total 2014	Total 2013
Investment income	\$ 360,282	\$ 147,321	\$ 73,189	\$ 580,792	\$ 501,245
Less investment fees	(23,941)	(9,789)	(4,863)	(38,593)	(38,556)
Add unrealized gain	-	-	29,635	29,635	206,505
Net investment income	\$ 336,341	\$ 137,532	\$ 97,961	\$ 571,834	\$ 669,194

8. Health Blooms

	<u>2014</u>	<u>2013</u>
Donations and other revenue	\$ -	\$ 148,968
Expenses		
Advertising and promotion	-	3,347
Insurance	-	350
Office supplies	-	489
Postage	-	3,368
Postal walk	-	5,612
	-	13,166
Net project revenue	\$ -	\$ 135,802

9. Ladies charity golf tournament

	<u>2014</u>	<u>2013</u>
Donations and other revenue	\$ -	\$ 29,815
Expenses		
Advertising	-	3,268
Dinner	-	3,546
Green and cart fees	-	6,984
Miscellaneous	-	221
	-	14,019
Net project revenue	\$ -	\$ 15,796

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

10. My Special Gal	<u>2014</u>	<u>2013</u>
Sponsorship and other revenue	\$ <u>7,933</u>	\$ -
Expenses		
Rental and music	1,689	-
Decorating and floral	<u>498</u>	<u>-</u>
	<u>2,187</u>	<u>-</u>
Net project revenue	\$ <u>5,746</u>	\$ -

11. Hospital staff lottery	<u>2014</u>	<u>2013</u>
Lottery revenue	\$ <u>111,290</u>	\$ <u>107,815</u>
Prize expense	<u>36,425</u>	<u>35,002</u>
Net lottery revenue	\$ <u>74,865</u>	\$ <u>72,813</u>

12. Fund raising	<u>2014</u>	<u>2013</u>
Advertising and promotion	\$ <u>9,585</u>	\$ 7,248
Donor recognition program	2,579	3,063
Office supplies	15,673	15,147
Postage	17,983	10,738
Salaries and benefits	<u>205,844</u>	<u>196,691</u>
	\$ <u>251,664</u>	\$ <u>232,887</u>

13. Administration	<u>2014</u>	<u>2013</u>
Conferences and training	\$ <u>7,812</u>	\$ 9,600
Insurance	5,425	5,047
Miscellaneous	12,015	10,622
Office equipment and supplies	8,593	8,009
Professional services	13,532	14,497
Strategic plan development	16,508	-
Telephone	5,282	5,122
Travel	<u>1,598</u>	<u>1,843</u>
	\$ <u>70,765</u>	\$ <u>54,740</u>

The Chalmers Regional Hospital Foundation Inc.

Notes to the financial statements

December 31, 2014

14. Capital management

Management considers capital to be its fund balances. The Foundation's objective when managing capital is to maintain financial strength to sustain long term delivery of its core activities.

To assist in managing investment capital the Foundation employs a capital management plan, in the form of a Statement of Investment Policy and Objectives ("SIP&O") that is reviewed annually by the Finance Committee. The SIP&O, which establishes policies for management of its investments, dictates the Foundation's approach to growth, credit quality and profitability objectives. The overall objectives in investing the assets of the Foundation are to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained within the level of risk acceptable to the Finance Committee. The following description of the SIP&O is a summary only. For more information, reference should be made to the SIP&O document.

Subject to limitations, the SIP&O investment guidelines outline that the investment manager may invest in any or all of the following asset categories: cash, fixed income, Canadian equities, US equities, and international equities. The proportion of investment in each asset class is subject to restrictions including maintaining the following asset mix; 0% - 10% in cash, 30% - 60% investment in fixed income, 40% - 60% investment in equities; 50% - 100% of total equities invested in Canadian equities, 10% - 40% invested in US equities, and 0% - 40% in international equities.

There has been no change in the overall strategy employed during the year ended December 31, 2014.
