



Financial Statements

The Chalmers Regional Hospital Foundation Inc.

December 31, 2012

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 - 13

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, 2012, and the statement of operations and changes in fund balances, and statement of 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 qualified audit opinion.

Independent Auditors' report (cont'd)

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives contributions from the general public, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to contribution revenues, excess of revenue over expenses, assets and fund balances.

Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of contributions referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2012 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 3 to the financial statements which describes that The Chalmers Regional Hospital Foundation Inc. adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at December 31, 2011 and January 1, 2011, and the statement of operations and changes in fund balances, and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Fredericton, NB
May 14, 2013



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 2012	Total 2011 (Unaudited)
Revenue					
Contributions	\$ 143,944	\$ 507,267	\$ 2,176	\$ 653,387	\$ 639,628
Investment income (net) (Note 7)	135,037	69,317	55,382	259,736	21,199
Health Blooms (net) (Note 8)	-	139,339	-	139,339	151,344
Ladies Charity Golf Tournament (net) (Note 9)	-	24,666	-	24,666	21,711
Hospital staff lottery (net) (Note 10)	73,130	-	-	73,130	85,710
	<u>352,111</u>	<u>740,589</u>	<u>57,558</u>	<u>1,150,258</u>	<u>919,592</u>
Expenses					
Fund raising (Note 11)	214,460	-	-	214,460	217,078
Administration (Note 12)	46,708	-	-	46,708	49,093
	<u>261,168</u>	<u>-</u>	<u>-</u>	<u>261,168</u>	<u>266,171</u>
Excess of revenue over expenses before the undernoted	<u>90,943</u>	<u>740,589</u>	<u>57,558</u>	<u>889,090</u>	<u>653,421</u>
Distribution to Dr. Everett Chalmers Regional Hospital equipment and programs	<u>11,230</u>	<u>767,940</u>	<u>-</u>	<u>779,170</u>	<u>626,199</u>
Excess (deficiency) of revenue over expenses	<u>79,713</u>	<u>(27,351)</u>	<u>57,558</u>	<u>109,920</u>	<u>27,222</u>
Fund balance, beginning of year	<u>67,078</u>	<u>2,464,091</u>	<u>2,817,267</u>	<u>5,348,436</u>	<u>5,321,214</u>
Fund balance, end of year	<u>\$ 146,791</u>	<u>\$ 2,436,740</u>	<u>\$ 2,874,825</u>	<u>\$ 5,458,356</u>	<u>\$ 5,348,436</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	December 31, 2012	December 31, 2011 (Unaudited)	January 1, 2011 (Unaudited)
Assets						
Current assets						
Cash and cash equivalents	\$ 45,203	\$ 123,758	\$ -	\$ 168,961	\$ 323,135	\$ 162,724
Receivables	7,133	-	-	7,133	6,989	6,292
Accrued interest receivable	-	17,473	-	17,473	20,552	18,969
Contributions receivable	-	45,511	-	45,511	63,160	189,757
	52,336	186,742	-	239,078	413,836	377,742
Investments (Note 6)	131,278	2,179,235	2,874,825	5,185,338	4,971,129	4,957,489
Property (Note 15)	-	70,763	-	70,763	-	-
Long term contributions receivable	-	-	-	-	-	13,500
	<u>\$ 183,614</u>	<u>\$ 2,436,740</u>	<u>\$ 2,874,825</u>	<u>\$ 5,495,179</u>	<u>\$ 5,384,965</u>	<u>\$ 5,348,731</u>
Liabilities and fund balances						
Current liabilities						
Payables and accruals	\$ 36,823	\$ -	\$ -	\$ 36,823	\$ 36,529	\$ 27,517
Fund balances (Note 4)	146,791	2,436,740	2,874,825	5,458,356	5,348,436	5,321,214
	<u>\$ 183,614</u>	<u>\$ 2,436,740</u>	<u>\$ 2,874,825</u>	<u>\$ 5,495,179</u>	<u>\$ 5,384,965</u>	<u>\$ 5,348,731</u>

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, 2012 2011

(Unaudited)

(Decrease) increase in cash and cash equivalents		
Operating		
Excess of revenues over expenditures	\$ 109,920	\$ 27,222
Non-cash item adjustments		
Contributed property	(70,763)	-
Unrealized (gain) loss	<u>(27,182)</u>	<u>138,020</u>
	11,975	165,242
Changes in		
Receivables	(144)	(697)
Accrued interest receivable	3,079	(1,583)
Contributions receivable	17,649	126,597
Payables and accruals	<u>294</u>	<u>9,012</u>
	<u>32,853</u>	<u>298,571</u>
Investing		
Increase in investments (net)	<u>(187,027)</u>	<u>(151,660)</u>
Financing		
Increase in long-term contributions receivable	<u>-</u>	<u>13,500</u>
Net (decrease) increase in cash and cash equivalents	(154,174)	160,411
Cash and cash equivalents, beginning of year	<u>323,135</u>	<u>162,724</u>
Cash and cash equivalents, end of year	<u>\$ 168,961</u>	<u>\$ 323,135</u>

See accompanying notes to the financial statements.

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2012

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, 2012

2. Summary of significant accounting policies (Cont'd)

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.

3. Impact of the change in basis of accounting

These financial statements are the first financial statements for which the Foundation has applied the Canadian accounting standards for not-for-profit organizations (ASNPO). The financial statements for the year ended December 31, 2012 were prepared in accordance with ASNPO. Comparative period information presented for the year ended December 31, 2011 and the opening statement of financial position as at January 1, 2011 were prepared in accordance with ASNPO and the provisions set out in Section 1501 *First-time adoption by not-for-profit organizations*.

The date of transition to ASNPO is January 1, 2011. The Foundation's transition from Canadian generally accepted accounting principles ("previous GAAP") to ASNPO has had no significant impact on the opening fund balances as at January 1, 2011 or the statement of operations or the statement of cash flows for the year ended December 31, 2011.

As a result, although the statement of financial position as at January 1, 2011 has been provided, the reconciliations and disclosures required by Section 1501 for the net assets at the transition date, the comparative period excess of revenue over expenses and the cash flow statement are not necessary and have not been presented in these financial statement notes.

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2012

4. Restrictions on fund balances (major categories)

Category	Opening balance	Current year Contributions	Investment Income Allocated	Current year Disbursements	Transfers	December 31, 2012	December 31, 2011	January 1, 2011
Cardiac Diagnostic Program	\$ 663,417	\$ -	\$ -	\$ (536,068)	\$ -	\$ 127,349	\$ 663,417	\$ 801,229
Improved patient care	199,326	-	45,630	(43,877)	-	201,079	199,326	167,954
Miscellaneous ("D" Fund)	1,138,807	288,443	22,231	(187,995)	-	1,261,486	1,138,807	1,167,577
Emergency room	462,541	2,302	-	-	-	464,843	462,541	-
G.I. Lab	<u>-</u>	<u>380,527</u>	<u>1,456</u>	<u>-</u>	<u>-</u>	<u>381,983</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,464,091</u>	<u>\$ 671,272</u>	<u>\$ 69,317</u>	<u>\$ (767,940)</u>	<u>\$ -</u>	<u>\$ 2,436,740</u>	<u>\$ 2,464,091</u>	<u>\$ 2,136,760</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, 2012

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

Restrictions on investment income earned by Endowment Funds:

	December 31, <u>2012</u>	December 31, <u>2011</u>	January 1, <u>2011</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.	\$ 1,061,358	\$ 1,048,845	\$ 1,098,682
Lillian Freeman Endowment, 100% of income to special equipment and educational support for the Cardiac Care Unit.	22,544	22,153	23,242
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.	745,137	713,742	730,422
Milton Levine Endowment, 100% of the income to special equipment and educational support for the Cardiac Care Unit.	15,853	15,702	16,474
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.	46,451	45,492	57,812
Endowment, designated by the Board (which may be withdrawn at the Board's discretion), the income from which is unrestricted.	-	-	103,030
Helen F. Green Endowments, the income from which is externally restricted for cancer care.	89,463	88,609	92,966
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.	24,147	23,808	24,895
Dr. Alfred Warner Memorial Fund Endowment, the income from which is externally restricted for research and education.	15,824	15,672	16,443
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.	11,458	11,322	11,859
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.	19,830	19,596	20,525
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	47,348	46,370	48,244
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.	67,097	66,456	69,724

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2012

4. 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.

	11,685	10,520	-
Endowments, the income from which is unrestricted:			
Eugene and Verna McCarthy Endowment Fund	232,526	230,306	241,630
John and Wilma Clark Endowment Fund	106,857	105,837	111,041
Other	<u>357,247</u>	<u>352,837</u>	<u>276,154</u>
	<u>\$ 2,874,825</u>	<u>\$ 2,817,267</u>	<u>\$ 2,943,143</u>

5. 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.

6. Financial Instruments

The Foundation's financial instruments consist of cash, receivables, investments and payables. 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, 2012.

Market risk is the risk that the fair value of expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. It is management's opinion that the Foundation is not exposed to significant currency risk arising from these financial instruments. For receivables and payables fair value approximates carrying value due to the short term to maturity. The Foundation is exposed to 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 quoted in an active market.

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

	December 31, <u>2012</u>	December 31, <u>2011</u>	January 1, <u>2011</u>
Cash	\$ 195,220	\$ 259,053	\$ 158,825
Fixed income	2,265,058	2,100,375	720,898
Equities - Canadian	1,188,768	1,453,866	2,926,299
Equities - Foreign	<u>1,536,292</u>	<u>1,157,835</u>	<u>1,151,467</u>
	<u>\$ 5,185,338</u>	<u>\$ 4,971,129</u>	<u>\$ 4,957,489</u>

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2012

6. Financial Instruments (continued)

The bond portfolio is subject to the credit risk of issuers failing to honour the payment terms. This risk is managed by investing in high quality government bonds and limiting exposure to any one issuer or issue. Details of bond maturities and interest ranges for investments held as at December 31, 2012 are as follows:

	Market Value	Interest Range
One year to five years	\$ 1,050,886	1.85-5.76%
More than five years	\$ 1,214,172	2.99-8.10%

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 Foundation's investment strategy is designed to maintain an investment portfolio of high quality financial assets. The Foundation manages investment risk by diversifying its portfolio among asset classes, industry sectors and individual securities.

7. Investment Income (net)

	Unrestricted	Restricted	Endowment	Total
Investment income	\$ 168,245	\$ 86,363	\$ 35,135	\$ 289,743
Less investment fees	(33,208)	(17,046)	(6,935)	(57,189)
Add unrealized gain	-	-	27,182	27,182
Net investment income	<u>\$ 135,037</u>	<u>\$ 69,317</u>	<u>\$ 55,382</u>	<u>\$ 259,736</u>

8. Health Blooms

	<u>2012</u>	<u>2011</u>
Donations and other revenue	<u>\$ 154,666</u>	<u>\$ 168,621</u>
Expenses		
Office supplies	428	635
Advertising and promotion	5,723	4,636
Postage	3,135	3,139
Postal walk	5,438	5,357
Insurance	350	350
Entertainment	253	2,151
Tents	-	1,009
	<u>15,327</u>	<u>17,277</u>
Net project revenue	<u>\$ 139,339</u>	<u>\$ 151,344</u>

The Chalmers Regional Hospital Foundation Inc.
Notes to the Financial Statements
December 31, 2012

9. Ladies charity golf tournament	<u>2012</u>	<u>2011</u>
Donations and other revenue	\$ <u>34,837</u>	\$ <u>30,057</u>
Expenses		
Green and cart fees	7,007	5,389
Dinner	2,419	2,211
Signage	548	-
Advertising	-	511
Miscellaneous	<u>197</u>	<u>235</u>
	<u>10,171</u>	<u>8,346</u>
Net project revenue	<u>\$ 24,666</u>	<u>\$ 21,711</u>

10. Hospital staff lottery	<u>2012</u>	<u>2011</u>
Lottery revenue	\$ <u>109,541</u>	\$ <u>116,934</u>
Prize expense	<u>36,411</u>	<u>31,224</u>
Net lottery revenue	<u>\$ 73,130</u>	<u>\$ 85,710</u>

11. Fund raising	<u>2012</u>	<u>2011</u>
Salaries and benefits	\$ <u>183,950</u>	\$ 187,831
Office supplies	11,844	9,714
Advertising and promotion	5,736	6,762
Postage	7,649	11,409
Donor recognition program	<u>5,281</u>	<u>1,362</u>
	<u>\$ 214,460</u>	<u>\$ 217,078</u>

12. Administration	<u>2012</u>	<u>2011</u>
Telephone	\$ <u>4,717</u>	\$ 4,874
Professional services	12,720	14,833
Insurance	4,925	4,805
Conferences and training	6,701	4,785
Travel	1,958	1,153
Office equipment and supplies	6,920	8,908
Miscellaneous	<u>8,767</u>	<u>9,735</u>
	<u>\$ 46,708</u>	<u>\$ 49,093</u>

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2012

13. 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% - 20% in cash, 30% - 60% investment in Fixed Income, 30% - 50% 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, 2012.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted for the year ended December 31, 2012.

15. Contributed assets

During the year the Foundation received land and investments from the Carleton Memorial Hospital Foundation Inc. with the condition that the transferred asset be used exclusively for the support of the Upper River Valley hospital facility at Waterville, New Brunswick.