



Financial statements

The Chalmers Foundation Inc.

December 31, 2016

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## Independent auditors' report

To the Directors of  
**The Chalmers Foundation Inc.**

We have audited the accompanying financial statements of **The Chalmers Foundation Inc.**, which comprise the statement of financial position as at December 31, 2016, 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, 2016 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 Chalmers Foundation Inc. as at December 31, 2016 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.

Fredericton, NB  
May 16, 2017



Grant Thornton LLP  
Chartered Professional Accountants

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

	Unrestricted fund	Restricted funds	Endowment funds	Total 2016	Total 2015
Revenues					
Contributions	\$ 33,075	\$ 1,292,331	\$ 3,849	<b>\$ 1,329,255</b>	\$ 1,040,649
Investment income (net) (note 7)	94,051	32,386	446,632	<b>573,069</b>	67,259
Hospital staff lottery (net) (note 8)	56,448	-	-	<b>56,448</b>	70,773
Charity Concert (net) (note 9)	-	9,920	-	<b>9,920</b>	-
	<u>183,574</u>	<u>1,334,637</u>	<u>450,481</u>	<b><u>1,968,692</u></b>	<u>1,178,681</u>
Expenses					
Fund raising (note 10)	290,338	-	-	<b>290,338</b>	292,701
Administration (note 11)	48,096	-	-	<b>48,096</b>	55,242
	<u>338,434</u>	<u>-</u>	<u>-</u>	<b><u>338,434</u></b>	<u>347,943</u>
Excess of revenue over expenses before the undernoted	<u>(154,860)</u>	<u>1,334,637</u>	<u>450,481</u>	<b><u>1,630,258</u></b>	<u>830,738</u>
Distributions					
Dr. Everett Chalmers Regional Hospital	65,421	506,767	-	<b>572,188</b>	468,275
Excess of revenue over expenses	(220,281)	827,870	450,481	<b>1,058,070</b>	362,463
Inter-fund transfers	(224,545)	224,545	-	-	-
Fund balance, beginning of year	<u>514,261</u>	<u>2,477,817</u>	<u>4,257,248</u>	<b><u>7,249,326</u></b>	<u>6,886,863</u>
Fund balance, end of year	<u>\$ 69,435</u>	<u>\$ 3,530,232</u>	<u>\$ 4,707,729</u>	<b><u>\$ 8,307,396</u></b>	<u>\$ 7,249,326</u>

See accompanying notes to the financial statements.

**The Chalmers Foundation Inc.**  
**Statement of financial position**

December 31

<b>Assets</b>	Unrestricted fund	Restricted funds	Endowment funds	Total 2016	Total 2015
Current assets					
Cash and cash equivalents	\$ 38,784	\$ 231,607	-	\$ 270,391	\$ 293,842
Receivables	5,343	-	-	5,343	5,986
Accrued interest receivable	-	19,729	-	19,729	18,151
Contributions receivable	-	165,353	-	165,353	24,406
	44,127	416,689	-	460,816	342,385
Investments (note 6)	61,238	3,113,543	4,707,729	7,882,510	6,958,292
	\$ 105,365	\$ 3,530,232	\$ 4,707,729	\$ 8,343,326	\$ 7,300,677

**Liabilities and fund balances**

Current liabilities					
Payables and accruals	\$ 35,930	-	-	\$ 35,930	\$ 51,351
Fund balances (note 3)	69,435	3,530,232	4,707,729	8,307,396	7,249,326
	\$ 105,365	\$ 3,530,232	\$ 4,707,729	\$ 8,343,326	\$ 7,300,677

ON BEHALF OF THE BOARD

Director

Director

See accompanying notes to the financial statements.

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**The Chalmers Foundation Inc.**  
**Statement of cash flows**

Year Ended December 31

2016

2015

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Increase (decrease) in cash and cash equivalents

<b>Operating</b>		
Excess of revenues over expenditures	\$ 1,058,070	\$ 362,463
Non-cash item adjustments		
Unrealized (gain) loss	<u>(432,152)</u>	<u>155,791</u>
	<b>625,918</b>	518,254
Changes in		
Receivables	643	(15)
Accrued interest receivable	(1,578)	1,788
Contributions receivable	(140,947)	22,340
Payables and accruals	<u>(15,422)</u>	<u>(4,163)</u>
	<b>468,614</b>	538,204
<b>Investing</b>		
Increase in investments (net)	<u>(492,065)</u>	<u>(360,925)</u>
Net (decrease) increase in cash and cash equivalents	<b>(23,451)</b>	177,279
Cash and cash equivalents, beginning of year	<u>293,842</u>	<u>116,563</u>
Cash and cash equivalents, end of year	<b>\$ 270,391</b>	<b>\$ 293,842</b>

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See accompanying notes to the financial statements.

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# The Chalmers Foundation Inc.

## Notes to the financial statements

December 31, 2016

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### 1. Nature of operations

The Chalmers 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 for the benefit of, or to enhance or improve the services provided by, and/or further education and research at, public health facilities in the Province of New Brunswick. 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.

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### 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.



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# The Chalmers Foundation Inc.

## Notes to the financial statements

December 31, 2016

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### 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.

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**The Chalmers Foundation Inc.**  
**Notes to the financial statements**  
December 31, 2016

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**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 collectability of receivables and the fair value of investments. Actual results could differ from those estimates.

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**The Chalmers Foundation Inc.**  
**Notes to the financial statements**  
December 31, 2016

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

<u>Category</u>	<u>Opening balance</u>	<u>Current year contributions</u>	<u>Net investment income allocated (note 7)</u>	<u>Current year disbursements</u>	<u>Inter-fund transfers</u>	<u><b>Total 2016</b></u>	<u>Total 2015</u>
Improved patient care	\$ 233,357	\$ -	\$ 20,097	\$ (147,325)	\$ -	<b>\$ 106,129</b>	\$ 233,357
Miscellaneous ("D" Fund)	1,668,675	336,514	10,512	(359,442)	-	<b>1,656,259</b>	1,668,675
Chalmers Care for Kids	<u>575,785</u>	<u>965,737</u>	<u>1,777</u>	<u>-</u>	<u>224,545</u>	<b><u>1,767,844</u></b>	<u>575,785</u>
	<b><u>\$ 2,477,817</u></b>	<b><u>\$ 1,302,251</u></b>	<b><u>\$ 32,386</u></b>	<b><u>\$ (506,767)</u></b>	<b><u>\$ 224,545</u></b>	<b><u>\$ 3,530,232</u></b>	<b><u>\$ 2,477,817</u></b>

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

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**The Chalmers Foundation Inc.**  
**Notes to the financial statements**  
December 31, 2016

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

**Restrictions on investment income earned by Endowment Funds:**

	<u>2016</u>	<u>2015</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.	<b>\$ 1,228,024</b>	\$ 1,113,988
Freeman family Endowment, 100% of income to special equipment and educational support for the Cardiac Care Unit.	<b>26,375</b>	23,746
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.	<b>995,696</b>	892,471
Milton Levine Endowment, 100% of the income to special equipment and educational support for the Cardiac Care Unit.	<b>18,149</b>	16,478
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.	<b>61,094</b>	54,732
Helen F. Greene Endowment, the income from which is externally restricted for cancer care.	<b>102,426</b>	92,995
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.	<b>82,440</b>	74,720
Dr. Alfred Warner Memorial Fund Endowment, the income from which is externally restricted for research and education.	<b>18,115</b>	16,447
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.	<b>13,256</b>	12,025
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.	<b>22,944</b>	20,813
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.	<b>57,123</b>	51,641
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.	<b>76,818</b>	69,745

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# The Chalmers Foundation Inc.

## Notes to the financial statements

December 31, 2016

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### 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.	21,439	17,435
Richard and Barbara Routledge Endowment Fund, 100% of income to be drawn annual in support of the area of greatest need.	12,786	10,609
Endowments, the income from which is unrestricted:		
Eugene and Verna McCarthy Endowment Fund	266,217	241,704
John and Wilma Clark Endowment Fund	122,505	111,075
Board Endowment Funds	<u>1,582,322</u>	<u>1,436,624</u>
	<u>\$ 4,707,729</u>	<u>\$ 4,257,248</u>

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### 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.

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### 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, 2016:

#### 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. There have been no significant changes in exposure from the prior year.

##### 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 have been no significant changes in exposure for the prior year.

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# The Chalmers Foundation Inc.

## Notes to the financial statements

December 31, 2016

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### 5. Financial instruments (continued)

#### b) Credit risk

The Foundation is exposed to credit risk on its contributions receivable and fixed income investments as a default by the other party 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. The Foundation had a significant change in credit risk during the year as a result of significant pledges made but not collected for the current year campaign.

#### 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. There have been no significant changes in exposure from the prior year.

#### d) Fair value risk

Fair value risk is the potential for loss from an adverse movement in the value of a financial instrument. The carrying value of cash, receivables, payables and accruals are a reasonable estimate of their fair value because of their short maturity. There have been no significant changes in exposure from the prior year.

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### 6. Investments

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

	<u>2016</u>	<u>2015</u>
Cash	\$ 310,789	\$ 320,577
Fixed income	2,864,287	2,586,141
Equities - Canadian	3,898,159	3,260,510
Equities - Foreign	<u>809,275</u>	<u>791,064</u>
	<u>\$ 7,882,510</u>	<u>\$ 6,958,292</u>

Details of bond maturities and interest ranges for investments held as at December 31, 2016 are as follows:

<u>range</u>	<u>Market value</u>	Interest
One year to five years	\$ 1,173,475	1.7 – 6.4%
More than five years	\$ 1,690,812	2.4 – 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.

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**The Chalmers Foundation Inc.**  
**Notes to the financial statements**  
December 31, 2016

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**7. Investment income (net)**

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Endowment</u>	<b>Total 2016</b>	Total 2015
Investment income	\$ 126,641	\$ 43,608	\$ 19,498	<b>\$ 189,747</b>	\$ 268,112
Less investment fees	(32,590)	(11,222)	(5,018)	<b>(48,830)</b>	(45,062)
Unrealized gain (loss)	-	-	432,152	<b>432,152</b>	(155,791)
Net investment income	<u>\$ 94,051</u>	<u>\$ 32,386</u>	<u>\$ 446,632</u>	<b><u>573,069</u></b>	<u>\$ 67,259</u>

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**8. Hospital staff lottery**

	<u>2016</u>	<u>2015</u>
Lottery revenue	\$ 90,673	\$ 105,998
Less: prize expense	<u>(34,225)</u>	<u>(35,225)</u>
Net lottery revenue	<b><u>\$ 56,448</u></b>	<b><u>\$ 70,773</u></b>

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**9. Charity Concert**

	<u>2016</u>	<u>2015</u>
Concert revenue	\$ 34,831	\$ -
Less: concert expense	<u>(24,911)</u>	-
Net concert revenue	<b><u>\$ 9,920</u></b>	<b><u>\$ -</u></b>

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**10. Fund raising**

	<u>2016</u>	<u>2015</u>
Advertising and promotion	\$ 18,354	\$ 19,412
Donor recognition program	1,149	5,929
Office supplies	14,129	15,535
Postage	16,646	22,438
Salaries and benefits	<b>240,060</b>	<b>229,387</b>
	<b><u>\$ 290,338</u></b>	<b><u>\$ 292,701</u></b>

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# The Chalmers Foundation Inc.

## Notes to the financial statements

December 31, 2016

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<b>11. Administration</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Conferences and training	\$ 5,309	\$ 12,054
Insurance	6,394	5,425
Miscellaneous	9,971	9,865
Office equipment and supplies	8,600	7,559
Professional services	12,268	13,823
Telephone	2,841	4,302
Travel	<u>2,713</u>	<u>2,214</u>
	<b><u>\$ 48,096</u></b>	<b><u>\$ 55,242</u></b>

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### 12. 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 Audit and 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 Audit and 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, 2016.

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