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**The Chalmers Regional
Hospital Foundation Inc.
Financial Statements**
December 31, 2005

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Auditors' Report

To the Directors of
The Chalmers Regional Hospital Foundation Inc.

We have audited the statement of financial position of **The Chalmers Regional Hospital Foundation Inc.** as at December 31, 2005 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

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.

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, 2005 and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Fredericton, NB
March 31, 2006

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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 2005	Total 2004
Revenue					
Contributions	\$ 127,251	\$ 566,582	\$ 46,913	\$ 740,746	\$1,062,705
Investment income (net)	187,914	91,691	29,066	308,671	421,296
Health Blooms - net (2004 Hospathon) (Note 8)	<u>-</u>	<u>217,652</u>	<u>-</u>	<u>217,652</u>	<u>101,025</u>
	<u>315,165</u>	<u>875,925</u>	<u>75,979</u>	<u>1,267,069</u>	<u>1,585,026</u>
Expenses					
Fund raising (Note 9)	185,269	-	-	185,269	133,879
Administration (Note 10)	44,109	-	-	44,109	53,136
Planned giving (Note 11)	<u>32,364</u>	<u>-</u>	<u>-</u>	<u>32,364</u>	<u>31,594</u>
	<u>261,742</u>	<u>-</u>	<u>-</u>	<u>261,742</u>	<u>218,609</u>
Excess of revenue over expenses before the undernoted	<u>53,423</u>	<u>875,925</u>	<u>75,979</u>	<u>1,005,327</u>	<u>1,366,417</u>
Distribution to Dr. Everett Chalmers Regional Hospital equipment and programs	<u>5,000</u>	<u>1,078,540</u>	<u>-</u>	<u>1,083,540</u>	<u>716,971</u>
(Deficiency) excess of revenue over expenses	48,423	(202,615)	75,979	(78,213)	649,446
Fund balance, beginning of year	708,404	1,913,902	2,476,369	5,098,675	4,449,229
Interfund transfers	<u>-</u>	<u>(26,286)</u>	<u>26,286</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 756,827</u>	<u>\$ 1,685,001</u>	<u>\$2,578,634</u>	<u>\$5,020,462</u>	<u>\$5,098,675</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 2005	Total 2004
Assets					
Current assets					
Cash and cash equivalents	\$ 120,938	\$ -	\$ -	\$ 120,938	\$ 300
Receivables	8,698	-	-	8,698	10,648
Accrued interest receivable	-	22,771	-	22,771	23,386
Contributions receivable	-	96,223	-	96,223	97,922
	129,636	118,994	-	248,630	132,256
Investments (Note 3)	641,256	1,531,807	2,578,634	4,751,697	4,930,390
Long-term contributions receivable	-	34,200	-	34,200	92,400
Computer software (Note 7)	13,235	-	-	13,235	-
	<u>\$ 784,127</u>	<u>\$1,685,001</u>	<u>\$2,578,634</u>	<u>\$ 5,047,762</u>	<u>\$5,155,046</u>
Liabilities and fund balances					
Current liabilities					
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ 32,178
Payables and accruals	27,300	-	-	27,300	24,193
	27,300	-	-	27,300	56,371
Fund balances (Note 4)	743,592	1,685,001	2,578,634	5,007,227	5,098,675
Investment in capital assets	13,235	-	-	13,235	-
	<u>756,827</u>	<u>1,685,001</u>	<u>2,578,634</u>	<u>5,020,462</u>	<u>5,098,675</u>
	<u>\$ 784,127</u>	<u>\$1,685,001</u>	<u>\$2,578,634</u>	<u>\$5,047,762</u>	<u>\$5,155,046</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, 2005 2004

Increase (decrease) in cash and cash equivalents

Operating		
(Deficiency) excess of revenues over expenditures	\$ (78,213)	\$ 649,446
Changes in		
Receivables	1,950	(3,374)
Accrued interest receivable	615	(1,192)
Contributions receivable	1,699	(55,572)
Payables and accruals	<u>3,107</u>	<u>3,243</u>
	<u>(70,842)</u>	<u>592,551</u>
Investing		
Decrease (increase) decrease in investments (net)	178,693	(806,567)
Purchase of computer software	<u>(13,235)</u>	<u>-</u>
	<u>165,458</u>	<u>(806,567)</u>
Financing		
Decrease (increase) in long-term contributions receivable	58,200	(33,800)
(Decrease) increase in bank indebtedness	<u>(32,178)</u>	<u>32,178</u>
	<u>26,022</u>	<u>(1,622)</u>
Net increase (decrease) in cash and cash equivalents	120,638	(215,638)
Cash and cash equivalents, beginning of year	<u>300</u>	<u>215,938</u>
Cash and cash equivalents, end of year	<u>\$ 120,938</u>	<u>\$ 300</u>

See accompanying notes to the financial statements.

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2005

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

(a) General

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) 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.

(c) 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, 2005

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

(d) 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.

(e) Investments

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(f) 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.

(g) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks. Bank borrowings are considered to be financing activities.

3. Investments

	<u>Cost</u>		<u>Aggregate quoted market value</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Investments	<u>\$4,751,697</u>	<u>\$4,930,390</u>	<u>\$5,241,661</u>	<u>\$5,211,238</u>

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2005

4. Restrictions on fund balances (major categories)

Category	Opening balance	Current year Contributions	Investment Income Allocated	Current year Disbursements	Fund Transfers	2005	2004
Mammography Unit	\$ 759	\$651,467	\$ -	\$ -	\$ -	\$652,226	\$ 759
Building Better Bones	360,676	(365)	-	(334,025)	(26,286)	-	360,676
Improved patient care	210,395	-	72,248	(45,067)	-	237,576	210,395
Pediatrics	516,949	-	-	(456,189)	-	60,760	516,949
Family Medicine Teaching Unit	101,126	-	-	(36,700)	-	64,426	101,126
Miscellaneous ("D" Fund)	<u>723,997</u>	<u>133,132</u>	<u>19,443</u>	<u>(206,559)</u>	<u>-</u>	<u>670,013</u>	<u>723,997</u>
	<u>\$1,913,902</u>	<u>\$ 784,234</u>	<u>\$ 91,691</u>	<u>\$(1,078,540)</u>	<u>\$ (26,286)</u>	<u>\$1,685,001</u>	<u>\$1,913,902</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, 2005

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

Restrictions on investment income earned by Endowment Funds:	<u>2005</u>	<u>2004</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.	\$1,156,089	\$1,152,286
Endowments, the income from which is unrestricted.	563,843	490,644
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.	571,207	546,224
Endowment, designated by the Board (which may be withdrawn at the Board's discretion), the income from which is unrestricted.	110,825	110,825
Endowments, the income from which is externally restricted for cancer care.	100,000	100,000
Endowment, 90% of the income from which is externally restricted for "special equipment" purchases, and 10% to be added to the endowment capital.	25,628	25,460
Endowment, the income from which is externally restricted for research and education.	16,966	16,966
Endowment, 95% of the income from which is externally restricted for continued education and 5% to be added to the endowment capital.	12,478	12,437
Endowment, 95% of the income from which is externally restricted for Library operations and 5% to be added to the endowment capital.	<u>21,598</u>	<u>21,527</u>
	<u>\$ 2,578,634</u>	<u>\$2,476,369</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.

The Chalmers Regional Hospital Foundation Inc.

Notes to the Financial Statements

December 31, 2005

6. Financial instruments

The Foundation's financial instruments consist of cash and cash equivalents, bank indebtedness, investments, receivables and payables. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

7. Computer software

During the year the Foundation purchased computer software for \$13,235. This software was purchased near the end of the year and as such no depreciation has been booked in 2005. Depreciation will begin January 1, 2006.

8. Health Blooms (2004 – Hospathon)	<u>2005</u>	<u>2004</u>
Donations and other revenue	<u>\$ 254,503</u>	<u>\$ 173,070</u>
Expenses		
Salaries and benefits	17,500	35,000
Office supplies	821	1,890
Advertising and promotion	8,893	8,540
Food for volunteers	-	3,362
Postage	622	671
Postal walk	1,825	-
Incentives	6,110	10,266
Insurance	350	350
Facilities	-	5,923
Entertainment	597	403
Telephone	-	281
Travel	133	274
Miscellaneous	<u>-</u>	<u>5,085</u>
	<u>36,851</u>	<u>72,045</u>
Net project revenue	<u>\$ 217,652</u>	<u>\$ 101,025</u>

9. Fund raising	<u>2005</u>	<u>2004</u>
Salaries and benefits	\$145,051	\$ 114,852
Office supplies	12,099	7,607
Advertising and promotion	7,871	5,409
Postage	13,146	3,258
Donor wall	<u>7,102</u>	<u>2,753</u>
	<u>\$185,269</u>	<u>\$ 133,879</u>

The Chalmers Regional Hospital Foundation Inc.
Notes to the Financial Statements
December 31, 2005

10. Administration	<u>2005</u>	<u>2004</u>
Telephone	\$ 3,671	\$ 3,090
Professional services	12,839	30,923
Insurance	4,481	4,307
Conferences and training	7,217	4,520
Travel	1,235	2,133
Office equipment and supplies	7,528	2,700
Miscellaneous	<u>7,138</u>	<u>5,463</u>
	<u>\$ 44,109</u>	<u>\$ 53,136</u>

11. Planned giving	<u>2005</u>	<u>2004</u>
Planned giving officer	\$ 28,885	\$ 27,774
Travel and mileage	563	655
Conferences and training	1,784	2,024
Membership and subscriptions	483	218
Donor	382	762
Miscellaneous	<u>267</u>	<u>161</u>
	<u>\$ 32,364</u>	<u>\$ 31,594</u>