

Audited Financial Statements of

**NEW BRUNSWICK MEDICAL EDUCATION
FOUNDATION INC.**

June 30, 2017

Independent Auditors' Report

To the Directors of the New Brunswick Medical Education Foundation Inc.

We have audited the accompanying financial statements of the New Brunswick Medical Education Foundation Inc. (the "Foundation") which comprise of the statement of financial position as at June 30, 2017 and the statements of revenue, expenditures 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 whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting 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 of the financial statements in order to design the 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 assessing the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall financial statement presentation.


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation receives revenues from the general public in the form of donations and other fundraising projects, 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 revenue, excess of revenue over expenses, assets and net assets.

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 New Brunswick Medical Education Foundation Inc. as at June 30, 2017 and the statements of revenue, expenditures and changes in fund balances and cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Beers Neal LLP". The signature is written in a cursive, flowing style. The "B" is large and loops around the "eers". The "N" is tall and loops around the "eal". The "LLP" is written in a simpler, more upright cursive style.

Chartered Professional Accountants

September 28, 2017

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Statement of Financial Position

as at June 30, 2017

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 387,710	\$ 355,831
Receivables	20,400	10,000
	<u>408,110</u>	<u>365,831</u>
INVESTMENTS (Note 4)	<u>5,535,806</u>	<u>5,135,948</u>
	<u>\$ 5,943,916</u>	<u>\$ 5,501,779</u>
CURRENT LIABILITY		
Payables	\$ 319,105	\$ 302,293
FUND BALANCES		
General fund	1,168,630	1,002,613
Endowment fund	4,450,181	4,187,373
Designated fund	6,000	9,500
	<u>5,624,811</u>	<u>5,199,486</u>
	<u>\$ 5,943,916</u>	<u>\$ 5,501,779</u>

APPROVED ON BEHALF OF THE BOARD:

_____ Director

_____ Director

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.
Statement of Revenue, Expenditures and Changes in Fund Balances
year ended June 30, 2017

	General Fund		Endowment Fund		Designated Fund		Total Funds	
	2017 365 days	2016 169 days	2017 365 days	2016 169 days	2017 365 days	2016 169 days	2017 365 days	2016 169 days
REVENUE								
Donations	\$ 113,329	\$ 1,013,792	\$ 55,500	\$ 4,282,243	\$ 95,000	\$ 109,500	\$ 263,829	\$ 5,405,535
Investment	31,798	8,656	132,803	36,900	-	-	164,601	45,556
Exchange gain	1,873	467	7,821	1,991	-	-	9,694	2,458
Unrealized gains	71,789	12,960	299,822	55,253	-	-	371,611	68,213
Realized loss on sale of investments	(549)	-	(2,295)	-	-	-	(2,844)	-
	218,240	1,035,875	493,651	4,376,387	95,000	109,500	806,891	5,521,762
GENERAL EXPENDITURES								
Awards and scholarships	25,500	25,500	161,000	156,000	103,500	100,000	290,000	281,500
Annual scholarship event	5,000	-	-	-	-	-	5,000	-
Investment management fees	6,240	1,181	26,062	4,996	-	-	32,302	6,177
General support expenses	36,740	26,681	187,062	160,996	103,500	100,000	327,302	287,677
	10,483	6,581	43,781	28,018	-	-	54,264	34,599
	47,223	33,262	230,843	189,014	103,500	100,000	381,566	322,276
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	171,017	1,002,613	262,808	4,187,373	(8,500)	9,500	425,325	5,199,486
FUND BALANCE - BEGINNING OF YEAR, as previously reported	1,004,678	-	4,196,101	-	9,500	-	5,210,279	-
Prior period adjustment (Note 6)	(2,065)	-	(8,728)	-	-	-	(10,793)	-
FUND BALANCE - BEGINNING OF YEAR, as restated	1,002,613	-	4,187,373	-	9,500	-	5,199,486	-
Inter-fund transfer	(5,000)	-	-	-	5,000	-	-	-
	997,613	-	4,187,373	-	14,500	-	5,199,486	-
FUND BALANCE - END OF YEAR	\$ 1,168,630	\$ 1,002,613	\$ 4,450,181	\$ 4,187,373	\$ 6,000	\$ 9,500	\$ 5,624,811	\$ 5,199,486

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.**Statement of Cash Flows
year ended June 30, 2017**

	<u>2017</u> 365 days	<u>2016</u> 169 days
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenditures	\$ 425,325	\$ 5,199,486
Items not affecting cash:		
Unrealized gain on investments	(371,611)	(68,214)
Realized loss on sale of investments	2,844	-
	<hr/> 56,558	<hr/> 5,131,272
Changes in non-cash operating working capital items:		
Receivables	(10,400)	(10,000)
Payables	16,812	302,294
	<hr/> 62,970	<hr/> 5,423,566
INVESTING		
Purchase of investments	(617,123)	(5,067,735)
Proceeds on disposal of investments	586,032	-
	<hr/> (31,091)	<hr/> (5,067,735)
NET CASH INFLOW	<hr/> 31,879	<hr/> 355,831
CASH POSITION, BEGINNING OF YEAR	<hr/> 355,831	<hr/> -
CASH POSITION, END OF YEAR	<hr/> \$ 387,710	<hr/> \$ 355,831

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements

year ended June 30, 2017

1. DESCRIPTION OF ORGANIZATION

The New Brunswick Medical Education Foundation Inc. (the "Foundation") was established in 2015 by an Act of the New Brunswick Legislature to serve as a trustee of the investments, which are held for educational purposes. The Foundation is a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Fund accounting

The accounts of the Foundation are maintained in accordance with the principles of restricted fund accounting for contributions. For financial reporting purposes the accounts have been classified into the following funds:

- a) The General Fund reports amounts, including donations, fundraising and investment income, to be used to support charitable grants and administration. The donors have placed no restrictions on the use of the funds. The distribution of grants is determined by the Board of Directors.
- b) The Endowment Fund consists of contributions designated by donors to remain in perpetuity.
- c) The Designated Fund reports donation income to be used to support charitable grants only. The distribution of grants is determined by the Board of Directors.

Financial instruments

The Foundation initially measures its financial assets and liabilities at fair value when the Foundation becomes a party to the contractual provisions of the financial instrument.

Financial assets including cash and cash equivalents and receivables are measured at amortized cost which approximates fair value due to the short-term nature of the assets.

Investments are measured at fair value using quoted market values. The unrealized gain or loss on investments is included in revenue for the year.

Financial liabilities, comprised of payables, are measured at amortized cost which approximates fair value due to the short-term nature of the liability.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements
year ended June 30, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Revenue recognition

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

Investment income is recognized as revenue of the appropriate fund when earned.

General support expenses

General support expenses are allocated between the General Fund and the Endowment Fund based on a percentage of the particular fund in comparison to the sum of both funds.

Contributed marketable securities

Donated marketable securities are recorded at fair value where the value can be reasonably determined. The total amount of donated marketable securities recognized in the financial statements is \$10,154 (2016 - \$nil), which is included in donation income.

Foreign exchange

Investments denominated in U.S. dollars are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Investment income and expenses are translated into Canadian dollars using average quarterly exchange rates prevailing during the year. All realized and unrealized gains and losses are included in income. During the year, the Foundation recorded a foreign exchange gain of \$9,694 (2016 - \$2,458).

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses. Estimates are used for but not limited to determination of fair values and accruals. Actual results could vary from those estimates.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements
year ended June 30, 2017

3. FINANCIAL RISKS

The Foundation is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis provides a summation of the Foundation's risk exposure as at June 30, 2017:

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its payables.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risks relate to its receivables.

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, 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 market risk through its investments for which the value fluctuates with the quoted market price.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Certain of the Foundation's investments are in United States dollar or other foreign currency. Consequently, some assets are exposed to foreign currency fluctuations. The Foundation will settle investments of \$1,323,401 (2016 - \$1,001,859) in foreign currency.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed rate financial instruments. Fixed-rate instruments subject the Foundation to fair value risk, since fair value fluctuates inversely to changes in market interest rates.

NEW BRUNSWICK MEDICAL EDUCATION FOUNDATION INC.

Notes to the Financial Statements
year ended June 30, 2017

4. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Fixed income	\$ 1,527,577	\$ 1,970,277
Canadian equity	2,684,828	2,163,812
U.S. equity	1,323,401	1,001,859
	<u>\$ 5,535,806</u>	<u>\$ 5,135,948</u>

5. INCOME TAXES

The Foundation is registered as a public foundation under the Income Tax Act of Canada and is exempt from income taxes. As part of maintaining its registration, the Foundation must meet a disbursement quota as set by Canada Revenue Agency regulations. The Foundation has met this requirement in 2017.

6. PRIOR PERIOD ADJUSTMENT

During the year, management determined that a payable was not recorded in the previous period, resulting in an increase to the 2016 payables of \$10,793, an increase to the 2016 investment management fees of \$6,177, an increase to the 2016 general support expenses of \$4,616, a decrease to the 2016 General Fund balance of \$2,065 and a decrease to the 2016 Endowment Fund balance of \$8,728.

7. PRIOR YEAR FIGURES

Certain prior year figures have been reclassified to conform to the presentation format adopted for the current year.