

Financial Statements of

**STURGEON COMMUNITY  
HOSPITAL FOUNDATION**

Year ended March 31, 2013



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## INDEPENDENT AUDITORS' REPORT

To the Trustees of the Sturgeon Community Hospital Foundation

We have audited the accompanying financial statements of Sturgeon Community Hospital Foundation, which comprise the statement of financial position as at March 31, 2013, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising 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.

### *Auditors' 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 our 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, we consider 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.



### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, Sturgeon Community Hospital Foundation derives revenue from fundraising, 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 Sturgeon Community Hospital Foundation. Therefore, we were not able to determine whether, as at and for the year ended March 31, 2013, any adjustments might be necessary to fund raising revenue and excess of revenue over expenditures reported in the statement of operations and changes in fund balances, excess of revenue over expenditures reported in the statement of cash flows and current assets and unrestricted fund balances reported in the statement of financial position.

### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Sturgeon Community Hospital Foundation as at March 31, 2013, and results of operations 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 1 to the financial statements which describes that Sturgeon Community Hospital Foundation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012 with a transition date of April 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 March 31, 2012 and April 1, 2011, and the statements of operations and changes in fund balances and cash flows for the year ended March 31, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Chartered Accountants

June 27, 2013  
Edmonton, Canada

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2013

## Financial Statements

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# STURGEON COMMUNITY HOSPITAL FOUNDATION

## Statement of Financial Position

March 31, 2013, with comparative figures for 2012

	March 31, 2013	March 31, 2012	April 1, 2011
		(Unaudited)	(Unaudited)
<b>Assets</b>			
Current assets:			
Cash	\$ 327,332	\$ 180,295	\$ 340,273
Accounts receivable	30,292	10,192	8,711
Prepaid expenses and deposits	525	1,838	340
	<u>358,149</u>	<u>192,325</u>	<u>349,324</u>
Long-term investments (note 3)	1,447,256	1,368,431	1,304,105
	<u>\$ 1,805,405</u>	<u>\$ 1,560,756</u>	<u>\$ 1,653,429</u>

## Liabilities and Fund Balances

### Current liabilities:


Accounts payable and accrued liabilities	\$ 21,300	\$ 19,925	\$ 17,250
Due to Alberta Health Services (note 5)	140,380	139,862	159,955
	<u>161,680</u>	<u>159,787</u>	<u>177,205</u>


### Fund balances (note 4):

Endowment fund (note 9)	765,743	708,246	700,863
Externally restricted fund (note 9)	758,154	703,054	672,242
Unrestricted fund	119,828	(10,331)	103,119
	<u>1,643,725</u>	<u>1,400,969</u>	<u>1,476,224</u>

\$ 1,805,405      \$ 1,560,756      \$ 1,653,429

See accompanying notes to financial statements.

  
\_\_\_\_\_  
Chairman, Board of Trustees

  
\_\_\_\_\_  
Executive Director

# STURGEON COMMUNITY HOSPITAL FOUNDATION

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2013, with comparative figures for 2012

	Endowment fund	Externally restricted fund	Unrestricted fund	2013 Total	2012 Total
					Schedule 1 (Unaudited)
Revenue:					
Fundraising	\$ -	\$ 388,088	\$ 340,154	\$ 728,242	\$ 364,612
Investment income (note 6)	8,449	42,138	45,821	96,408	81,496
Gifts in kind	-	578	13,306	13,884	11,455
Other	-	-	163,901	163,901	99,909
	8,449	430,804	563,182	1,002,435	557,472
Expenditures:					
Fundraising	-	21,973	179,059	201,032	137,890
Salaries and benefits	-	-	147,750	147,750	148,404
Supplies and services	-	-	88,873	88,873	97,960
	-	21,973	415,682	437,655	384,254
Excess of revenue over expenditures before distributions	8,449	408,831	147,500	564,780	173,218
Distributions to Alberta Health Services	-	304,683	17,341	322,024	248,473
Excess (deficiency) of revenue over expenditures	8,449	104,148	130,159	242,756	(75,255)
Transfers authorized by the Board of Trustees	49,048	(49,048)	-	-	-
Fund balances, beginning of year	708,246	703,054	(10,331)	1,400,969	1,476,224
Fund balances, end of year	\$ 765,743	\$ 758,154	\$ 119,828	\$ 1,643,725	\$ 1,400,969

See accompanying notes to financial statements.

# STURGEON COMMUNITY HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2013, with comparative figures for 2012

	2013	2012
		(Unaudited)
Cash flows from operating activities:		
Cash received from general contributions	\$ 163,901	\$ 100,927
Cash received from directed contributions	71,652	13,098
Cash received from annual campaign	264,236	73,533
Cash received gala event	267,737	137,300
Cash received from other events	6,206	51,762
Cash received from golf tournament	84,563	73,139
Cash received from major gifts	28,150	24,736
Cash paid for fundraising, salaries and benefits and supplies and services	(434,967)	(403,170)
Cash paid to Alberta Health Services	(322,024)	(248,473)
Investment income received	45,509	42,136
	<u>174,963</u>	<u>(135,012)</u>
Cash flows and investing activities:		
Purchase of investments	(179,308)	(440,306)
Redemption of investments	151,382	415,340
	<u>(27,926)</u>	<u>(24,966)</u>
Increase (decrease) in cash	147,037	(159,978)
Cash, beginning of year	180,295	340,273
Cash, end of year	<u>\$ 327,332</u>	<u>\$ 180,295</u>

See accompanying notes to financial statements.

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2013

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Sturgeon Community Hospital Foundation (the "Foundation") operates under the authority of Part 4 concerning Hospital Foundations under the Hospital Act Chapter H: 11, Revised Statutes of Alberta 1980, as amended and continued under the Regional Health Authorities Foundations Regulation (Alberta Regulation 16/95). The Foundation is a registered public charity under the Income Tax Act (Canada) and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The Foundation provides donations of money and services to Alberta Health Services ("AHS") for use at the Sturgeon Community Hospital (the "Hospital"). These funds are used to enhance hospital care for the people of the community, to finance, or assist in the financing of, the construction, equipping, operations, maintenance and management of the Hospital, and to further health care education in the community.

## 1. Basis of presentation:

On April 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provision in Canadian accounting standards for not-for-profit organizations, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Canadian accounting standards for not-for-profit organizations.

In accordance with the transitional provisions in Canadian accounting standards for not-for-profit organizations, the Foundation has elected to measure its long-term investments at fair value.

There were no transitional adjustments recorded to net assets and excess of revenue over expenditures as a result of the transition to Canadian accounting standards for not-for-profit organizations (note 9).

## 2. Significant accounting policies:

### (a) Fund accounting:

These financial statements include the following funds:

Endowment fund - consists of principal donations to be held in perpetuity and investment income which is required to be added to principal to maintain the fund's ongoing purchasing power, by the terms of specific endowments.



# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

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## 2. Significant accounting policies (continued):

### (a) Fund accounting (continued):

Externally restricted fund - consists of funds and related investment income upon which restrictions have been imposed by the donor.

Unrestricted fund - consists of donations and investment income upon which no restrictions have been imposed by the donors or the Board of Trustees (the "Board"). These funds are managed in accordance with general Board policies, and may be restricted through Board motion.

### (b) Revenue recognition:

Under the restricted fund basis of accounting for contributions, revenue is recognized as follows:

- (i) Restricted contributions are recognized as revenue of the externally restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (ii) Unrestricted contributions are recognized as revenue of the unrestricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (iii) Endowment contributions are recognized as revenue in the endowment fund.
- (iv) Investment income earned on endowment funds that must be used in accordance with the conditions imposed by the donor is recognized as revenue of the externally restricted fund. Unrestricted investment income earned on endowment funds is recognized as revenue of the unrestricted fund. Other investment income is recognized as revenue of the unrestricted fund when earned.

### (c) Contributed materials and services:

Contributed materials and services are recorded at fair value when they would have otherwise been purchased and when a fair value can be reasonably estimated. Contributed services of volunteers are not recognized in these financial statements as their fair value cannot be reasonably determined.

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

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## 2. Significant accounting policies (continued):

### (d) Financial instruments and risk management:

Financial instruments are recorded at fair value on initial recognition. Although the Foundation does not currently hold any, freestanding derivative instruments that are not in a qualifying hedging relationship are subsequently measured at fair value. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry its fixed-income instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (e) Use of estimates:

The preparation of 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 amount of revenue and expenditures during the period. Actual results could differ from those estimates.

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

### 3. Long-term investments:

	March 31, 2013	March 31, 2012 (Unaudited)	April 1, 2011 (Unaudited)
Cash and cash equivalents	\$ 49,749	\$ 4,787	\$ 2,903
Fixed-income	680,909	795,070	816,383
Equities			
Canadian	632,234	529,776	484,819
United States	84,364	38,798	-
	<b>\$ 1,447,256</b>	<b>\$ 1,368,431</b>	<b>\$ 1,304,105</b>

- (a) Fixed-income instruments are managed with the objective of providing optimal returns while maintaining security of capital. Return is optimized within the risk constraints on the portfolio by management of portfolio duration and issuer mix.

Fixed-income instruments have effective interest rates of 2.45% to 10.80% (March 31, 2012 – 2.45% to 5.68%; April 1, 2011 – 1.01% to 5.68%) with maturity dates from May 2013 to July 2020 (March 31, 2012 – April 2012 to July 2020; April 1, 2011 – May 2011 to July 2020). Face value of the fixed income instruments is \$638,478 (March 31, 2012 - \$761,241; April 1, 2011 - \$809,794) of which 23% (March 31, 2012 – 29%; April 1, 2011 – 30%) mature within the next fiscal year and 52% (March 31, 2012 – 67%; April 1, 2011 – 59%) mature within the next five years.

- (b) Equities are comprised of publicly traded equities in Canadian and United States corporations.

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

## 4. Fund balances:

(a) March 31, 2013

	Endowments	Externally restricted	Unrestricted	2013 Total
Cable Family Fund II - SCH	\$ 157,178	\$ -	\$ -	\$ 157,178
Cable Family Fund III - NECHC	248,250	-	-	248,250
St. Albert Breakfast Lions - Club Fund	78,523	23,884	-	102,407
Donna (Kryskow) Toronchuk Memorial Fund	33,215	6,844	-	40,059
Jim & Susan Lightfoot Fund	17,021	-	-	17,021
Shelemey Insurance Consulting Fund	3,666	-	-	3,666
Palliative Care Fund	70,385	100,563	-	170,948
Catherine Thyra Fyfe Memorial Fund	131,554	38,160	-	169,714
Rooke Scholarship Fund	-	98,467	-	98,467
Balmoral Masonic Lodge NECHC	25,951	16,689	-	42,640
Gala Event	-	31,529	-	31,529
Vitaline Rooke Bequest	-	-	76,200	76,200
Estate of Harry Bruce	-	-	573	573
Sturgeon Hospital House	-	-	12,079	12,079
LDRP Theme Rooms	-	-	4,318	4,318
Major Gifts - ER	-	-	25,124	25,124
Major Gifts - Phase 2	-	10,909	-	10,909
General Fund interest	-	50,075	-	50,075
General Fund	-	-	2,127	2,127
Annual Campaign	-	-	56,851	56,851
Directed donations	-	167,497	1,007	168,504
Brick Program	-	188,250	-	188,250
Staff Lottery Fund	-	-	924	924
General administration expenses	-	25,287	-	25,287
Golf Tournament Proceeds Fund	-	-	1,067	1,067
Unrealized losses on long-term investments	-	-	11,124	11,124
	-	-	(71,566)	(71,566)
	\$ 765,743	\$ 758,154	\$ 119,828	\$ 1,643,725

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

## 4. Fund balances (continued):

(b) March 31, 2012

(Unaudited)	Endowments	Externally restricted	Unrestricted	2012 Total (Unaudited)
Cable Family Fund II - SCH	\$ 139,404	\$ 14,241	\$ -	\$ 153,645
Cable Family Fund III - NECHC	214,568	24,048	-	238,616
St. Albert Breakfast Lions Club Fund	73,497	23,884	-	97,381
Donna (Kryskow) Toronchuk Memorial Fund	33,215	5,182	-	38,397
Jim & Susan Lightfoot Fund	16,186	-	-	16,186
Shelemey Insurance Consulting Fund	3,486	-	-	3,486
Palliative Care Fund	70,385	92,174	-	162,559
Catherine Thyra Fyfe Memorial Fund	131,554	25,257	-	156,811
Rooke Scholarship Fund	-	94,343	-	94,343
Balmoral Masonic Lodge	25,951	15,419	-	41,370
NECHC	-	31,068	-	31,068
Gala Event	-	-	17,851	17,851
Vitaline Rooke Bequest	-	-	1,073	1,073
Estate of Harry Bruce	-	-	24,079	24,079
Sturgeon Hospital House	-	-	8,618	8,618
LDRP Theme Rooms	-	-	10,458	10,458
Major Gifts - ER	-	10,909	-	10,909
Major Gifts – Phase 2	-	50,000	-	50,000
General Fund interest	-	-	1,722	1,722
General Fund	-	-	19,609	19,609
Annual Campaign	-	160,680	2,072	162,752
Directed donations	-	130,337	-	130,337
Brick Program	-	-	299	299
Staff Lottery Fund	-	25,512	-	25,512
General administration expenses	-	-	1,013	1,013
Golf Tournament Proceeds Fund	-	-	3,889	3,889
Unrealized losses on long-term investments	-	-	(101,014)	(101,014)
	\$ 708,246	\$ 703,054	\$ (10,331)	\$ 1,400,969

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

## 5. Related party transactions:

The value of accommodation, furnishings and certain overhead costs incurred in the administration of the Foundation and provided by the Hospital at no charge are not reasonably estimable and consequently are not reflected in these financial statements.

At March 31, 2013 \$140,380 (March 31, 2012 - \$139,862; April 1, 2011 - \$159,955) is payable to AHS for certain salaries and services paid by AHS on the Foundation's behalf. Total salaries and services incurred, invoiced by AHS, for the year ended March 31, 2013 were \$140,100 (2012 - \$138,463).

During the year ended March 31, 2013, the Foundation distributed \$322,024 (2012 - 248,473) to AHS.

Distributions to AHS are restricted for use at the Hospital.

## 6. Investment income:

	2013	2012
		(Unaudited)
Unrealized gains	\$ 29,448	\$ 21,943
Realized gains	21,451	17,417
Interest	24,867	25,679
Dividends	20,642	16,457
	<u>\$ 96,408</u>	<u>\$ 81,496</u>

## 7. Additional information to comply with the Charitable Fundraising Act and Regulation:

Employees whose principal duties involve fundraising were paid remuneration of \$85,600.

No expenditures were incurred for a separate fundraising business to make solicitations on behalf of the Foundation.

# STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2013

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## 8. Financial risks:

Income and financial returns on investments are exposed to credit and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate, foreign exchange and market risk. Interest rate risk relates to the possibility that investments will change in value due to fluctuations in interest rates. Market and foreign exchange risk relates to the possibility that investments will change in value due to future fluctuations in market prices and foreign exchanges rates.

These risks are managed by the Foundation's investment policies, which prescribe the investment asset mix including the degree of liquidity and concentration and the amount of foreign content.

Changes in interest rates and credit ratings are the main cause of changes in the fair value of government securities and corporate bonds resulting in a favourable or unfavourable variance compared to book value. Credit risk is mitigated by investing in government securities and corporate bonds with a rating of A or better and diversifying the securities between government, government backed and corporate issuers. Interest rate risk is mitigated by managing maturity dates and payment frequency. The Foundation limits credit risk associated with other financial assets by dealing with counterparties that it believes are creditworthy. The fair value of equities is impacted by price risk.

The Foundation does not use derivative financial instruments to alter the effects of market interest or foreign exchange fluctuations, which affect these investments.

## 9. Comparative figures:

At the time of transition to Canadian accounting standards for not-for-profit organizations, the Foundation also made an adjustment for a correction to the comparative period financial statements that is not related to the transition. In the prior period as reported under previous Canadian generally accepted principles, a portion of the Palliative Care Fund in the amount of \$70,385 was classified as externally restricted. In the current year, it was reclassified as an endowment fund. The correction had no impact on excess (deficiency) of revenue over expenditures for the year ended March 31, 2012 or fund balances as previously reported.

# STURGEON COMMUNITY HOSPITAL FOUNDATION

## Schedule 1 - Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012 (Unaudited)

	Endowment fund	Externally restricted fund	Unrestricted fund	2012 Total
				(Unaudited)
Revenue:				
Fundraising	\$ -	\$ 155,472	\$ 209,140	\$ 364,612
Investment income (note 6)	7,383	36,961	37,152	81,496
Gifts in kind	-	623	10,832	11,455
Other	-	-	99,909	99,909
	7,383	193,056	357,033	557,472
Expenditures:				
Fundraising	-	21,324	116,566	137,890
Salaries and benefits	-	-	148,404	148,404
Supplies and services	-	-	97,960	97,960
	-	21,324	362,930	384,254
Excess of revenue over expenditures before distributions	7,383	171,732	(5,897)	173,218
Distributions to Alberta Health Services	-	140,920	107,553	248,473
Excess (deficiency) of revenue over expenditures	7,383	30,812	(113,450)	(75,255)
Fund balances, beginning of year	700,803	672,242	103,119	1,476,224
Fund balances, end of year	\$ 708,246	\$ 703,054	\$ (10,331)	\$ 1,400,969

See accompanying notes to financial statements.