

Financial Statements of

**STURGEON COMMUNITY
HOSPITAL FOUNDATION**

Year ended March 31, 2016



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INDEPENDENT AUDITORS' REPORT

To the Trustees of 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, 2016, 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 generally accepted 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 charitable 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, 2016, 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, 2016, and results of operations and its 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 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

June 23, 2016
Edmonton, Canada

STURGEON COMMUNITY HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2016

Financial Statements

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STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 646,650	\$ 370,424
Accounts receivable	14,114	12,791
Prepaid expenses and deposits	484	326
	<u>661,248</u>	<u>383,541</u>
Portfolio investments (note 2)	1,852,601	1,915,008
	<u>\$ 2,513,849</u>	<u>\$ 2,298,549</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,480	\$ 38,884
Due to Alberta Health Services (note 4)	29,289	9,999
	<u>59,769</u>	<u>48,883</u>
Fund balances:		
Endowment fund (note 3)	1,012,578	1,004,200
Externally restricted fund (note 3)	1,001,053	870,732
Unrestricted fund	440,449	374,734
	<u>2,454,080</u>	<u>2,249,666</u>
	<u>\$ 2,513,849</u>	<u>\$ 2,298,549</u>

See accompanying notes to financial statements.

Chairman, Board of Trustees

Director

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	Endowment fund	Externally restricted fund	Unrestricted fund	2016 Total	2015 Total
Revenue:					
Fundraising	\$ -	\$ 278,466	\$ 427,287	\$ 705,753	\$ 642,207
Investment (loss) income (note 5)	15,280	29,157	(83,813)	(39,376)	162,638
Gifts in kind	-	-	18,931	18,931	10,214
Other	-	-	218,346	218,346	140,229
	15,280	307,623	580,751	903,654	955,288
Expenditures:					
Fundraising	-	20,634	201,637	222,271	201,519
Salaries and benefits (note 4)	-	-	167,657	167,657	166,096
Supplies and services	-	-	79,919	79,919	89,843
	-	20,634	449,213	469,847	457,458
Excess of revenue over expenditures before distributions	15,280	286,989	131,538	433,807	497,830
Distributions to Alberta Health Services (note 4)	-	163,570	65,823	229,393	247,347
Excess of revenue over expenditures	15,280	123,419	65,715	204,414	250,483
Transfers authorized by the Board of Trustees	(6,902)	6,902	-	-	-
Fund balances, beginning of year	1,004,200	870,732	374,734	2,249,666	1,999,183
Fund balances, end of year	\$ 1,012,578	\$ 1,001,053	\$ 440,449	\$ 2,454,080	\$ 2,249,666

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash flows from operating activities:		
Cash received from general contributions	\$ 219,355	\$ 145,279
Cash received from directed contributions	73,983	133,149
Cash received from annual campaign	70,398	93,159
Cash received gala event	366,539	300,906
Cash received from other events	14,362	23,630
Cash received from golf tournament	78,070	86,868
Cash received from major gifts	119,000	11,500
Cash received from endowments	-	-
Cash paid for fundraising, salaries and benefits and supplies and services	(459,119)	(521,440)
Cash paid to Alberta Health Services	(229,393)	(247,347)
Investment income received	60,733	56,700
	313,928	82,404
Cash flows and investing activities:		
Purchase of investments	(172,702)	(426,381)
Redemption of investments	135,000	392,144
	(37,702)	(34,237)
Increase in cash	276,226	48,167
Cash, beginning of year	370,424	322,257
Cash, end of year	\$ 646,650	\$ 370,424

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

Sturgeon Community Hospital Foundation (the "Foundation") operates 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") to the extent that these funds are not available from other sources. These funds are used to enhance family care, purchase leading edge medical equipment, support further innovation and provide on-site and community education.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. The Foundation's significant accounting policies are as follows:

(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.

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.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

1. Significant accounting policies (continued):

(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 as gifts-in-kind 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, 2016

1. Significant accounting policies (continued):

(d) Financial instruments and risk management:

Financial instruments are recorded at fair value on initial recognition. 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, 2016

2. Portfolio investments:

	2016	2015
Cash and cash equivalents	\$ 105,794	\$ 104,151
Fixed-income	689,014	704,835
Equities		
Canadian	800,844	856,141
United States	256,949	249,881
	\$ 1,852,601	\$ 1,915,008

Cash and cash equivalents are represented by cash on deposit with the investment broker for future investment purposes.

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 0.6% to 5.2% (2015 - 0.7% to 5.2%) with maturity dates from August 2016 to January 2022 (2015 - April 2015 to January 2022).

Face value of the fixed-income instruments is \$665,992 (2015 - \$670,701) of which 38% (2015 - 27%) mature within the next fiscal year, 57% (2015 - 64%) mature within the next two to five years, and the remaining 5% (2015 - 9%) mature after five years.

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, 2016

3. Fund balances:

Endowment fund:

	2016	2015
Cable Family Fund II - SCH	\$ 171,923	\$ 168,946
Cable Family Fund III - NECHC	273,142	268,499
St. Albert Breakfast Lions - Club Fund	82,993	82,993
Donna (Kryskow) Toronchuk Memorial Fund	33,215	33,215
Jim & Susan Lightfoot Fund	19,265	18,641
Shelemey Insurance Consulting Fund	4,150	4,016
Palliative Care Fund	70,385	70,385
Catherine Thyra Fyfe Memorial Fund	131,554	131,554
L. Schmidt Memorial Endowment	200,000	200,000
Balmoral Masonic Lodge	25,951	25,951
	\$ 1,012,578	\$ 1,004,200

Externally restricted fund:

St. Albert Breakfast Lions - Club Fund	\$ 32,902	\$ 29,149
Donna (Kryskow) Toronchuk Memorial Fund	7,370	7,785
Palliative Care Fund	123,078	116,814
Catherine Thyra Fyfe Memorial Fund	54,471	52,350
L. Schmidt Memorial Endowment	8,307	11,158
Rooke Scholarship Fund	105,290	104,627
Annual Campaign Initiatives - Major Gifts	202,764	83,764
Balmoral Masonic Lodge	22,304	20,742
North East Community Health Centre	26,715	26,565
Major Gifts – Emergency Department	10,909	10,909
Major Gifts - Phase 2	48,910	50,075
Annual Campaign	184,505	193,873
Directed donations	134,056	137,634
Staff Lottery Fund	39,472	25,287
	\$ 1,001,053	\$ 870,732

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

4. 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, 2016, \$29,289 (2015 - \$9,999) is payable to AHS for certain salaries and benefits paid by AHS on the Foundation's behalf. Total salaries and benefits incurred, invoiced by AHS, for the year ended March 31, 2016 were \$153,545 (2015 - \$153,593).

During the year ended March 31, 2016, the Foundation distributed \$229,393 (2015 - \$247,347) to AHS, in support of the Hospital.

5. Investment (loss) income:

	2016	2015
Unrealized (loss) gains	\$ (105,959)	\$ 75,866
Realized gains	5,850	30,073
Interest	25,184	25,844
Dividends	35,549	30,855
	\$ (39,376)	\$ 162,638

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

Employees whose principal duties involve fundraising were paid remuneration of \$98,325 (2015 - \$94,480).

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, 2016

7. 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 minimum specified ratings 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.