

Financial Statements of

**STURGEON COMMUNITY
HOSPITAL FOUNDATION**

Year ended March 31, 2017

STURGEON COMMUNITY HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2017

Financial Statements

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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, 2017, 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, 2017, 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, 2017, and results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

June 29, 2017
Edmonton, Canada

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Financial Position

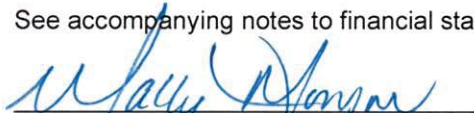
March 31, 2017, with comparative information for 2016

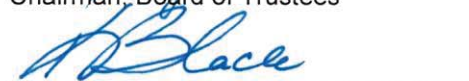
	2017	2016
Assets		
Current assets:		
Cash	\$ 392,855	\$ 646,650
Accounts receivable	7,835	14,114
Prepaid expenses and deposits	295	484
	<u>400,985</u>	<u>661,248</u>
Portfolio investments (note 2)	2,055,698	1,852,601
	<u>\$ 2,456,683</u>	<u>\$ 2,513,849</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 50,481	\$ 59,769
Fund balances:		
Endowment fund (note 3)	1,016,158	1,012,578
Externally restricted fund (note 3)	899,665	1,001,053
Unrestricted fund	490,379	440,449
	<u>2,406,202</u>	<u>2,454,080</u>
	<u>\$ 2,456,683</u>	<u>\$ 2,513,849</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, 2017, with comparative information for 2016

	Endowment fund	Externally restricted fund	Unrestricted fund	2017 Total	2016 Total
Revenue:					
Fundraising	\$ -	\$ 380,047	\$ 441,843	\$ 821,890	\$ 705,753
Investment income (loss) (note 5)	11,855	22,629	192,534	227,018	(39,376)
Gifts in kind	-	-	8,517	8,517	18,931
Other	-	-	115,978	115,978	218,346
	11,855	402,676	758,872	1,173,403	903,654
Expenditures:					
Fundraising	-	23,858	199,039	222,897	222,271
Salaries and benefits (note 4)	-	-	166,174	166,174	167,657
Supplies and services	-	-	83,472	83,472	79,919
	-	23,858	448,685	472,543	469,847
Excess of revenue over expenditures before distributions	11,855	378,818	310,187	700,860	433,807
Distributions to Alberta Health Services (note 4)	-	488,481	260,257	748,738	229,393
Excess (deficiency) of revenue over expenditures	11,855	(109,663)	49,930	(47,878)	204,414
Transfers authorized by the Board of Trustees	(8,275)	8,275	-	-	-
Fund balances, beginning of year	1,012,578	1,001,053	440,449	2,454,080	2,249,666
Fund balances, end of year	\$ 1,016,158	\$ 899,665	\$ 490,379	\$ 2,406,202	\$ 2,454,080

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash flows from operating activities:		
Cash received from general contributions	\$ 117,512	\$ 219,355
Cash received from directed contributions	93,862	73,983
Cash received from annual campaign	63,440	70,398
Cash received gala event	362,865	366,539
Cash received from other events	65,724	14,362
Cash received from golf tournament	84,761	78,070
Cash received from major gifts	164,500	119,000
Cash paid for fundraising, salaries and benefits and supplies and services	(481,642)	(459,119)
Cash paid to Alberta Health Services	(748,738)	(229,393)
Investment income received	57,681	60,733
	(220,035)	313,928
Cash flows and investing activities:		
Purchase of investments	(110,338)	(172,702)
Redemption of investments	76,578	135,000
	(33,760)	(37,702)
(Decrease) increase in cash	(253,795)	276,226
Cash, beginning of year	646,650	370,424
Cash, end of year	\$ 392,855	\$ 646,650

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

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 third parties.

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, 2017

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, 2017

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, 2017

2. Portfolio investments:

	2017		2016	
Cash and cash equivalents	\$	139,742	\$	105,794
Fixed-income		685,394		689,014
Equities				
Canadian		928,494		800,844
United States		302,068		256,949
	\$	2,055,698	\$	1,852,601

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 0.7% to 5.1% (2016 - 0.6% to 5.2%) with maturity dates from April 2017 to January 2022 (2016 - August 2016 to January 2022).

Face value of the fixed-income instruments is \$666,115 (2016 - \$665,992) of which 39% (2016 - 38%) mature within the next fiscal year, 61% (2016 - 57%) mature within the next two to five years, and 0% (2016 - 5%) 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, 2017

3. Fund balances:

Endowment fund:

	2017		2016
Cable Family Fund II - SCH	\$ 174,081	\$	171,923
Cable Family Fund III - NECHC	273,966		273,142
St. Albert Breakfast Lions - Club Fund	82,993		82,993
Donna (Kryskow) Toronchuk Memorial Fund	33,215		33,215
Jim & Susan Lightfoot Fund	19,757		19,265
Shelemey Insurance Consulting Fund	4,256		4,150
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
	\$ 1,016,158	\$	1,012,578

Externally restricted fund:

St. Albert Breakfast Lions Club Fund	\$ 35,861	\$	32,902
Donna (Kryskow) Toronchuk Memorial Fund	6,199		7,370
Palliative Care Fund	128,017		123,078
Catherine Thyra Fyfe Memorial Fund	56,104		54,471
L. Schmidt Memorial ADP	6,787		8,307
Rooke Scholarship Fund	106,915		105,290
Annual Campaign Initiatives - Major Gifts	137,264		202,764
Balmoral Masonic Lodge	23,536		22,304
North East Community Health Centre	26,715		26,715
Major Gifts – Emergency Department	10,909		10,909
Major Gifts - Phase 2	48,910		48,910
Annual Campaign	78,266		184,505
Directed Donations	153,639		134,056
Staff Lottery Fund	58,642		39,472
Casino Event	21,901		-
	\$ 899,665	\$	1,001,053

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

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, 2017, \$17,896 (2016 - \$29,289) 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, 2017 were \$152,861 (2016 - \$153,545).

During the year ended March 31, 2017, the Foundation distributed \$748,738 (2016 - \$229,393) to AHS, in support of the Hospital.

5. Investment (loss) income:

	2017		2016	
Unrealized (loss) gains	\$	168,299	\$	(105,959)
Realized gains		1,038		5,850
Interest		21,142		25,184
Dividends		36,539		35,549
	\$	227,018	\$	(39,376)

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

Employees whose principal duties involve fundraising were paid remuneration of \$99,858 (2016 - \$98,325).

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, 2017

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.

8. Comparative information:

Certain comparative information has been reclassified to conform to the financial statement presentation adopted for the current year.