

Financial Statements of

**STURGEON COMMUNITY
HOSPITAL FOUNDATION**

Year ended March 31, 2014



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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, 2014, 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, 2014, 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, 2014, 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 Accountants

June 26, 2014
Edmonton, Canada

STURGEON COMMUNITY HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2014

Financial Statements

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STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Assets		
Current assets:		
Cash	\$ 322,257	\$ 327,332
Accounts receivable	14,632	30,292
Prepaid expenses and deposits	7,406	525
	<u>344,295</u>	<u>358,149</u>
Long-term investments (note 2)	1,774,833	1,447,256
	<u>\$ 2,119,128</u>	<u>\$ 1,805,405</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 36,920	\$ 21,300
Due to Alberta Health Services (note 4)	83,025	140,380
	<u>119,945</u>	<u>161,680</u>
Fund balances (note 3):		
Endowment fund	985,218	765,743
Externally restricted fund	837,757	758,154
Unrestricted fund	176,208	119,828
	<u>1,999,183</u>	<u>1,643,725</u>
	<u>\$ 2,119,128</u>	<u>\$ 1,805,405</u>

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, 2014, with comparative information for 2013

	Endowment fund	Externally restricted fund	Unrestricted fund	2014 Total	2013 Total
Revenue:					
Fundraising	\$ 200,000	\$ 304,720	\$ 349,049	\$ 853,769	\$ 728,242
Investment income (note 5)	22,997	27,050	97,928	147,975	96,408
Gifts in kind	-	14,184	11,513	25,697	13,884
Other	-	-	142,367	142,367	163,901
	222,997	345,954	600,857	1,169,808	1,002,435
Expenditures:					
Fundraising	-	35,664	182,969	218,633	201,032
Salaries and benefits (Note 4)	-	-	153,430	153,430	147,750
Supplies and services	-	-	88,627	88,627	88,873
	-	35,664	425,026	460,690	437,655
Excess of revenue over expenditures before distributions	222,997	310,290	175,831	709,118	564,780
Distributions to Alberta Health Services (Note 4)	-	234,209	119,451	353,660	322,024
Excess of revenue over expenditures	222,997	76,081	56,380	355,458	242,756
Transfers authorized by the Board of Trustees	(3,522)	3,522	-	-	-
Fund balances, beginning of year	765,743	758,154	119,828	1,643,725	1,400,969
Fund balances, end of year	\$ 985,218	\$ 837,757	\$ 176,208	\$ 1,999,183	\$ 1,643,725

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from operating activities:		
Cash received from general contributions	\$ 142,922	\$ 163,901
Cash received from directed contributions	142,970	71,652
Cash received from annual campaign	86,687	264,236
Cash received gala event	266,267	267,737
Cash received from other events	37,493	6,206
Cash received from golf tournament	88,890	84,563
Cash received from major gifts	72,264	28,150
Cash paid for fundraising, salaries and benefits and supplies and services	(509,306)	(434,967)
Cash paid to Alberta Health Services	(353,660)	(322,024)
Investment income received	50,765	45,509
	<u>225,292</u>	<u>174,963</u>
Cash flows and investing activities:		
Purchase of investments	(596,033)	(179,308)
Redemption of investments	365,666	151,382
	<u>(230,367)</u>	<u>(27,926)</u>
Increase (decrease) in cash	(5,075)	147,037
Cash, beginning of year	327,332	180,295
Cash, end of year	<u>\$ 322,257</u>	<u>\$ 327,332</u>

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2014

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. 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 Handbook. The Hospital'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, and may be restricted through Board motion.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

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 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, 2014

1. 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, 2014

2. Long-term investments:

	2014	2013
Cash and cash equivalents	\$ 244,902	\$ 144,112
Fixed-income	713,782	680,909
Equities		
Canadian	668,894	537,871
United States	147,255	84,364
	<u>\$ 1,774,833</u>	<u>\$ 1,447,256</u>

(a) Fixed-income instruments have effective interest rates of 2.3% to 5.05% (2013 – 2.45% to 10.8 %) with maturity dates from September 2014 to January 2022 (2013 – May 2013 to July 2020). Face value of the fixed income instruments is \$684,444 (2013 – \$638,478) of which 9% (2013 – 23%) mature within the next fiscal year and 64% (2013 – 52%) 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, 2014

3. Fund balances:

(a) March 31, 2014

	Endowments	Externally restricted	Unrestricted	2014 Total
Cable Family Fund II - SCH	\$ 161,949	\$ -	\$ -	\$ 161,949
Cable Family Fund III - NECHC	257,579	-	-	257,579
St. Albert Breakfast Lions - Club Fund	82,993	23,884	-	106,877
Donna (Kryskow) Toronchuk Memorial Fund	33,215	6,832	-	40,047
Jim & Susan Lightfoot Fund	17,766	-	-	17,766
Shelemey Insurance Consulting Fund	3,826	-	-	3,826
Palliative Care Fund	70,385	108,025	-	178,410
Catherine Thyra Fyfe Memorial Fund	131,554	46,021	-	177,575
L. Schmidt Memorial Endowment	200,000	4,365	-	204,365
Rooke Scholarship Fund	-	100,433	-	100,433
Annual Campaign Initiatives – Major Gifts	-	72,264	-	72,264
Balmoral Masonic Lodge	25,951	18,550	-	44,501
NECHC	-	32,047	-	32,047
Gala Event	-	-	50,764	50,764
Vitaline Rooke Bequest	-	-	273	273
Estate of Harry Bruce	-	-	5,179	5,179
Sturgeon Hospital House	-	-	2,115	2,115
LDRP Theme Rooms	-	-	42,436	42,436
Major Gifts - ER	-	10,909	-	10,909
Major Gifts – Phase 2	-	50,075	-	50,075
General Fund interest	-	-	2,900	2,900
General Fund	-	-	49,223	49,223
Annual Campaign	-	117,886	507	118,393
Directed donations	-	221,179	-	221,179
Brick Program	-	-	3,274	3,274
Staff Lottery Fund	-	25,287	-	25,287
General administration expenses	-	-	1,735	1,735
Golf Tournament Proceeds Fund	-	-	10,703	10,703
Unrealized gains on long-term investments	-	-	7,099	7,099
	\$ 985,218	\$ 837,757	\$ 176,208	\$ 1,999,183

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2014

3. Fund balances (continued):

(b) 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	25,951	16,689	-	42,640
NECHC	-	31,529	-	31,529
Gala Event	-	-	76,200	76,200
Vitaline Rooke Bequest	-	-	573	573
Estate of Harry Bruce	-	-	12,079	12,079
Sturgeon Hospital House	-	-	4,318	4,318
LDRP Theme Rooms	-	-	25,124	25,124
Major Gifts - ER	-	10,909	-	10,909
Major Gifts - Phase 2	-	50,075	-	50,075
General Fund interest	-	-	2,127	2,127
General Fund	-	-	56,851	56,851
Annual Campaign	-	167,497	1,007	168,504
Directed donations	-	188,250	-	188,250
Brick Program	-	-	924	924
Staff Lottery Fund	-	25,287	-	25,287
General administration expenses	-	-	1,067	1,067
Golf Tournament Proceeds Fund	-	-	11,124	11,124
Unrealized losses on long-term investments	-	-	(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, 2014

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, 2014 \$83,025 (2013 - \$140,380) 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, 2014 were \$143,730 (2013 - \$140,100).

During the year ended March 31, 2014, the Foundation distributed \$353,660 (2013 - \$322,024) to AHS.

Distributions to AHS are restricted for use at the Hospital.

5. Investment income:

	2014	2013
Unrealized gains	\$ 78,665	\$ 29,448
Realized gains	18,545	21,451
Interest	24,969	24,867
Dividends	25,796	20,642
	\$ 147,975	\$ 96,408

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

Employees whose principal duties involve fundraising were paid remuneration of \$89,920 (2013- \$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, 2014

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.