

Financial Statements of

**STURGEON COMMUNITY
HOSPITAL FOUNDATION**

Year ended March 31, 2020

STURGEON COMMUNITY HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2020

Financial Statements

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INDEPENDENT AUDITORS' REPORT

To the Trustees of the Sturgeon Community Hospital Foundation

Qualified Opinion

We have audited the financial statements of the Sturgeon Community Hospital Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our auditors' report, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2020 and March 31, 2019
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended March 31, 2020 and March 31, 2019
- the unrestricted fund balances, at the beginning and end of the year, reported in the statements of changes in fund balances for the years ended March 31, 2020 and March 31, 2019
- the excess of revenues over expenses reported in the statements of cash flows for the years ended March 31, 2020 and March 31, 2019.



Our opinion on the financial statements for the year ended March 31, 2019 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represents the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

June 25, 2020

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019


	2020	2019
Assets		
Current assets:		
Cash	\$ 853,787	\$ 953,842
Accounts receivable	25,925	7,096
Prepaid expenses and deposits	3,584	1,525
	<u>883,296</u>	<u>962,463</u>
Portfolio investments (note 2)	5,280,535	5,318,594
	<u>\$ 6,163,831</u>	<u>\$ 6,281,057</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 73,884	\$ 49,521
Fund balances:		
Endowment fund (note 3)	2,829,598	2,597,063
Externally restricted fund (note 3)	2,886,033	2,882,141
Unrestricted fund	374,316	752,332
	<u>6,089,947</u>	<u>6,231,536</u>
	<u>\$ 6,163,831</u>	<u>\$ 6,281,057</u>

See accompanying notes to financial statements.


Chairman, Board of Trustees


President and CEO

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2020, with comparative information for 2019

	Endowment fund	Externally restricted fund	Unrestricted fund	2020 Total	2019 Total
Revenue:					
Fundraising	\$ 14,095	\$ 520,909	\$ 533,209	\$ 1,068,213	\$ 3,786,911
Investment income (note 5)	221,968	101,703	(432,158)	(108,487)	289,731
Gifts in kind	-	-	71,843	71,843	6,451
Other	-	-	427,883	427,883	113,097
	236,063	622,612	600,777	1,459,452	4,196,190
Expenditures:					
Fundraising	-	25,139	391,429	416,568	240,066
Salaries and benefits (note 4)	-	-	192,961	192,961	172,342
Supplies and services	-	-	117,647	117,647	131,935
	-	25,139	702,037	727,176	544,343
Excess (deficiency) of revenue over expenditures before distributions	236,063	597,473	(101,260)	732,276	3,651,847
Distributions to Alberta Health Services (note 4)	2,109	595,000	276,756	873,865	152,638
Excess (deficiency) of revenue over expenditures	233,954	2,473	(378,016)	(141,589)	3,499,209
Transfers authorized by the Board of Trustees	(1,419)	1,419	-	-	-
Fund balances, beginning of year	2,597,063	2,882,141	752,332	6,231,536	2,732,327
Fund balances, end of year	\$ 2,829,598	\$ 2,886,033	\$ 374,316	\$ 6,089,947	\$ 6,231,536

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash flows from operating activities:		
Cash received from general contributions	\$ 427,883	\$ 113,112
Cash received from directed contributions	133,522	138,197
Cash received from annual campaign	58,620	54,515
Cash received gala event	431,890	323,606
Cash received from other events	67,928	81,870
Cash received from golf tournament	146,958	101,889
Cash received from major gifts	284,138	3,093,270
Cash paid for fundraising, salaries and benefits and supplies and services	(706,701)	(538,618)
Cash paid to Alberta Health Services	(873,865)	(152,638)
Investment income received	25,046	99,710
	(4,581)	3,314,913
Cash flows from investing activities:		
Purchase of investments	(5,500,000)	(3,282,132)
Redemption of investments	5,404,526	217,640
	(95,474)	(3,064,492)
(Decrease) increase in cash	(100,055)	250,421
Cash, beginning of year	953,842	703,421
Cash, end of year	\$ 853,787	\$ 953,842

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

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, 2020

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, 2020

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, 2020

2. Portfolio investments:

	2020
Fair value:	
Canadian bond pooled fund	\$ 126,972
Balanced pooled fund	4,793,933
Canadian money market fund	359,630
	\$ 5,280,535

These funds include domestic and foreign and equity securities, which are widely held and diversified. The funds are marketed and managed by a private fund manager whose units are sold to institutional and non-institutional investors. The Canadian Bond pooled fund consists of Canadian denominated fixed income securities. The Balanced pooled fund consists primarily of US, International and Canadian equity securities, and Canadian fixed income securities.

	2019
Cash and cash equivalents	\$ 1,410,737
Fixed-income	735,475
Equities	
Canadian	2,766,254
United States	406,128
	\$ 5,318,594

Cash and cash equivalents were represented by cash on deposit with the investment broker for future investment purposes. Fixed-income instruments were 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 had effective interest rates of in 2019 - 1.7% to 5.1% with maturity dates from September 2019 to November 2022. Face value of the fixed-income instruments that matured within the next five years in 2019 - (\$650,739) of which 29% matured within the next fiscal year.

Equities were comprised of publicly traded equities in Canadian and United States corporations.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Fund balances:

Endowment fund:

	2020	2019
Compassionate Parking Endowment Fund	\$ 1,716,880	\$ 1,551,757
Cable Family Fund III - NECHC	321,151	290,447
Cable Family Fund II - SCH	203,772	184,727
L. Schmidt Memorial Endowment	200,000	200,000
Catherine Thyra Fyfe Memorial Fund	131,554	131,554
St. Albert Breakfast Lions - Club Fund	82,993	82,993
Palliative Care Fund	70,385	70,385
Donna (Kryskow) Toronchuk Memorial Fund	33,215	33,215
Balmoral Masonic Lodge	25,951	25,951
Jim & Susan Lightfoot Fund	23,730	21,420
Public Education Endowment Fund	14,855	-
Shelemey Insurance Consulting Fund	5,112	4,614
	\$ 2,829,598	\$ 2,597,063

Externally restricted fund:

OR Equipment Project Fund	\$ 1,500,000	\$ 1,500,000
Directed Donations	269,862	248,059
Annual Campaign	202,576	176,594
Annual Campaign Initiatives - Major Gifts	177,464	280,942
Palliative Care Fund	167,909	144,712
Rooke Scholarship Fund	119,379	110,768
Staff Lottery Fund	112,700	135,735
Catherine Thyra Fyfe Memorial Fund	83,091	62,916
St. Albert Breakfast Lions Club Fund	59,758	45,862
Major Gifts - Phase 2	48,910	48,910
North East Community Health Centre	35,256	42,190
Balmoral Masonic Lodge	33,486	27,700
L. Schmidt Memorial ADP	30,234	16,895
Casino Event	20,971	20,971
Donna (Kryskow) Toronchuk Memorial Fund	13,528	8,978
Major Gifts – Emergency Department	10,909	10,909
	\$ 2,886,033	\$ 2,882,141

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

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, 2020, \$19,456 (2019 - \$14,317) 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, 2020 were \$157,151 (2019 - \$155,034).

During the year ended March 31, 2020, the Foundation distributed \$873,865 (2019 - \$152,638) to AHS, in support of the Hospital.

5. Investment income (loss):

	2020	2019
Unrealized gains (loss)	\$ (475,546)	\$ 109,193
Dividends	318,542	68,846
Realized gains	28,177	80,828
Interest	20,340	30,864
	\$ (108,487)	\$ 289,731

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

Employees whose principal duties involve fundraising were paid remuneration of \$117,687 (2019 - \$102,829).

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, 2020

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. COVID – 19 implication:

The COVID-19 pandemic was declared a global pandemic by the World Health Organization on March 11, 2020 and has had a significant financial, market and social dislocating impact. COVID-19 has created a dynamic and challenging environment to navigate and all financial effects on the Foundation are not yet known.

At the time of approval of these financial statements, the Foundation has undertaken the following activities in relation to the COVID-19 pandemic:

- Postponement of one of the Foundation's signature fundraising events, the 2020 Heritage Golf Classic, to ensure social distancing and reduce the spread of COVID-19 in the community.
- The Foundation will continue to assess the likelihood of postponement or cancellation of future fundraising events.

At this time these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities of the Foundation and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.