

Financial Statements of

**STURGEON COMMUNITY
HOSPITAL FOUNDATION**

Year ended March 31, 2022

STURGEON COMMUNITY HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2022

Financial Statements

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INDEPENDENT AUDITOR'S REPORT

June 23, 2022
Edmonton, Alberta

To the Trustees of Sturgeon Community Hospital Foundation

Qualified Opinion

We have audited the financial statements of Sturgeon Community Hospital Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2022, and the statements of operations and changes in fund balances and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2022, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation 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 Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2022, current assets and net assets as at March 31, 2022. The predecessor auditor's opinion on the financial statements for the year ended March 31, 2021 was modified accordingly because of the possible effects of this limitation of scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 audit opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 2 to the financial statements, which explains that certain comparative information presented for the year ended March 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on June 24, 2021 for the reasons described in the *Basis for Qualified Opinion* section.

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 ASNPO, 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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Independent Auditor's Report to the Trustees of Sturgeon Community Hospital
Foundation *(continued)*

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

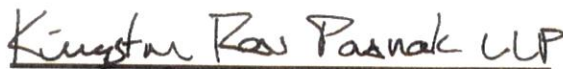
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditor's 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 these 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Foundation 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.



Kingston Ross Pasnak LLP

Chartered Professional Accountants

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
		(restated)
Assets		
Current assets:		
Cash and cash equivalents (note 3)	\$ 1,007,617	\$ 921,748
Accounts receivable	6,790	5,914
Prepaid expenses and deposits	5,003	4,453
	1,019,410	932,115
Portfolio investments (note 4)	6,319,831	6,268,597
	\$ 7,339,241	\$ 7,200,712

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 75,378	\$ 216,860
Fund balances:		
Endowment fund (note 5)	2,064,474	2,054,183
Externally restricted fund (note 5)	4,795,076	4,008,920
Unrestricted fund	404,313	920,749
	7,263,863	6,983,852
	\$ 7,339,241	\$ 7,200,712

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, 2022, with comparative information for 2021

	Endowment fund	Externally restricted fund	Unrestricted fund	2022 Total	2021 Total (restated)
Revenue:					
Fundraising	\$ -	\$ 600,323	\$ 293,054	\$ 893,377	\$ 655,834
Investment income (note 7)	10,291	527,413	(439,473)	98,231	1,031,652
Gifts in kind	-	-	-	-	2,825
Other administrative	-	-	265,810	265,810	428,517
	10,291	1,127,736	119,391	1,257,418	2,118,828
Expenditures:					
Fundraising	-	28,931	221,377	250,308	213,235
Salaries and benefits (note 6)	-	-	179,390	179,390	187,690
Supplies and services	-	-	125,476	125,476	129,299
	-	28,931	526,243	555,174	530,224
Excess of revenue over expenditures before distributions	10,291	1,098,805	(406,852)	702,244	1,588,604
Distributions to Alberta Health Services (note 6)	-	312,649	109,584	422,233	694,699
Excess (deficiency) of revenue over expenditures	10,291	786,156	(516,436)	280,011	893,905
Transfers authorized by the Board of Trustees	-	-	-	-	-
Fund balances, beginning of year					
As previously reported	3,068,172	3,025,104	890,576	6,983,852	6,089,947
Prior period adjustment (note 2)	(1,013,989)	983,816	30,173	-	-
As restated	2,054,183	4,008,920	920,749	6,983,852	6,089,947
Fund balances, end of year	\$ 2,064,474	\$ 4,795,076	\$ 404,313	\$ 7,263,863	\$ 6,983,852

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash flows from operating activities:		
Cash received from general contributions	\$ 265,808	\$ 428,518
Cash received from directed contributions	109,275	84,985
Cash received from annual campaign	197,338	106,345
Cash received Stars Box event	172,969	197,614
Cash received from other events	84,016	79,161
Cash received from golf tournament	117,051	63,341
Cash received from major gifts	212,729	144,213
Cash paid for fundraising, salaries and benefits and supplies and services	(563,705)	(518,107)
Cash paid to Alberta Health Services	(556,643)	(561,699)
Investment income received	4,090	3,850
	42,928	28,221
Cash flows from investing activities:		
Purchase of investments	-	-
Redemption of investments	42,941	39,740
	42,941	39,740
Increase in cash	85,869	67,961
Cash, beginning of year	921,748	853,787
Cash, end of year	\$ 1,007,617	\$ 921,748

Unrealized losses of \$497,515 (2021 – gains of \$637,374) and reinvested income of \$571,749 (2021 - \$275,817) have been excluded from the Statement of Cash Flows as they did not include the use of cash and cash equivalents.

See accompanying notes to financial statements.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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. These funds are managed in accordance with general Board policies.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

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) Fundraising revenue from special events is recognized as of the date of the event.
- (iv) Endowment contributions are recognized as revenue in the endowment fund.
- (v) Investment income earned on endowment funds that must be added to the principal and maintained permanently, in accordance with donor stipulations, is recognized as revenue of the endowment fund. 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.

(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, 2022

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. The following amounts are subject to measurement uncertainty: collectability of accounts receivable and accrual of liabilities.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Prior period adjustment:

During the year, it was determined that a portion of the investment income, previously recorded to the Endowment fund, did not meet the definition of endowment contribution because it was not intended to be added to the endowment principal amount and maintained permanently. Consequently, the Fund balances as at March 31, 2021 were restated to reduce the Endowment fund balance by \$1,013,989 and allocate \$983,816 to the Restricted fund and \$30,173 to the Unrestricted fund.

3. Cash and cash equivalents:

Included in cash and cash equivalents is \$132,711 (2021 - \$109,966) in gaming proceeds, which can only be used in accordance with a licensing agreement with the Alberta Gaming, Liquor and Cannabis Commission (AGLC).

4. Portfolio investments:

	2022	2021
Canadian bond pooled fund	\$ 314,755	\$ 130,510
Balanced pooled fund	5,727,734	5,818,051
Canadian money market fund	277,342	320,036
	<u>\$ 6,319,831</u>	<u>\$ 6,268,597</u>

These funds include domestic, 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 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.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

5. Fund balances:

Endowment fund:

	2022	2021
Cable Family Fund II - SCH	\$ 74,310	\$ 70,378
Cable Family Fund III - NECHC	136,734	130,375
Compassionate Parking Endowment Fund	1,500,000	1,500,000
St. Albert Breakfast Lions - Club Fund	15,126	15,126
Donna (Kryskow) Toronchuk Memorial Fund	30,000	30,000
Jim & Susan Lightfoot Fund	734	734
Shelemey Insurance Consulting Fund	1,000	1,000
Palliative Care Fund	70,385	70,385
Catherine Thyra Fyfe Memorial Fund	2,000	2,000
L. Schmidt Memorial Endowment	200,000	200,000
Balmoral Masonic Lodge	20,090	20,090
Public Education Endowment Fund	14,095	14,095
	\$ 2,064,474	\$ 2,054,183

Externally restricted fund:

St. Albert Breakfast Lions Club Fund	\$ 166,582	\$ 142,795
Cable Family Fund II – SCH	173,665	149,442
Cable Family Fund III – NECHC	266,718	222,749
Compassionate Parking Endowment Fund	678,694	397,861
Public Education Endowment Fund	10,485	7,267
Donna (Kryskow) Toronchuk Memorial Fund	29,499	21,710
Palliative Care Fund	232,940	193,232
Catherine Thyra Fyfe Memorial Fund	258,550	230,057
L. Schmidt Memorial ADP	54,107	30,628
Rooke Scholarship Fund	150,141	130,486
Annual Campaign Initiatives - Major Gifts	354,646	165,793
OR Equipment Project Fund	1,500,000	1,500,000
Balmoral Masonic Lodge	23,308	45,663
North East Community Health Centre	65,626	49,965
Major Gifts – Emergency Department	10,909	10,909
Major Gifts - Phase 2	48,910	48,910
Annual Campaign	235,395	226,327
Directed Donations	188,673	236,440
Staff Lottery Fund	236,242	170,796
Pandemic Campaign	33,142	6,919
Staff Education & Wellness	55,873	-
Casino Event	20,971	20,971
	\$ 4,795,076	\$ 4,008,920

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. 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, 2022, \$13,275 (2021 - \$147,685) is payable to AHS for certain distribution towards equipment and 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, 2022 were \$179,390 (2021 - \$167,666).

During the year ended March 31, 2022, the Foundation distributed \$422,232 (2021 - \$694,699) to AHS, in support of the Hospital.

The transactions with related parties are measured at cost, which is equal to the undiscounted cash flows received, or expected to be received, not including expected interest and dividends, less any previously recognized impairment losses.

7. Investment income:

	2022	2021
Unrealized gains (loss)	\$ (497,673)	\$ 636,834
Dividends	571,749	390,968
Interest	4,055	3,850
Realized gains	20,100	-
	<u>\$ 98,231</u>	<u>\$ 1,031,652</u>

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

Employees whose principal duties involve fundraising were paid remuneration of \$97,294 (2021 - \$140,137).

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, 2022

9. Local Authorities Pension Plan:

The Foundation is a participating employer in the Local Authorities Pension Plan ("LAPP"), a multi-employer pension plan, administered by Alberta Health Services. Sufficient information is not available to use defined benefit plan accounting, and defined contribution plan accounting has been used. As of the year ended December 31, 2020, the LAPP was considered to be 110% funded with a \$5.0 billion surplus. The LAPP is a defined benefit pension plan and all employees of the Foundation are members. The plan provides pensions for the employees of participating organizations based on length of service, final average earnings and age. The Foundation makes current service contributions to the plan of 8.45 (2021 - 9.39) percent of pensionable salary up to the yearly maximum pensionable earnings. Employees are required to contribute 7.45 (2021 - 8.39) percent of pensionable salary up to the yearly maximum pensionable earnings. Contributions are expensed in the year in which they become due. 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.

10. 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.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Impact of COVID-19:

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 this time these factors continue to 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.