

**STURGEON COMMUNITY HOSPITAL
FOUNDATION**

Financial Statements

Year Ended March 31, 2023

STURGEON COMMUNITY HOSPITAL FOUNDATION
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Year Ended March 31, 2023

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June 27, 2023
Edmonton, Alberta

INDEPENDENT AUDITOR'S REPORT

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, 2023, 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, 2023, 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, 2023, current assets and fund balances as at March 31, 2023. Our audit opinion on the financial statements for the year ended March 31, 2022 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.

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.

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

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Independent Auditor's Report to the Trustees of Sturgeon Community Hospital Foundation
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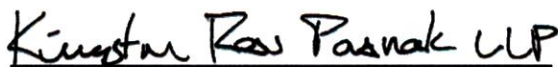
Auditor's Responsibilities for the Audit of the Financial Statements

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 qualified audit 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, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,199,441	\$ 1,007,617
Accounts receivable	7,362	-
Goods and Services Tax recoverable	13,795	6,790
Prepaid expenses and deposits	66,805	5,003
	1,287,403	1,019,410
PORTFOLIO INVESTMENTS (Note 3)	6,252,317	6,319,831
	\$ 7,539,720	\$ 7,339,241
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	\$ 88,635	\$ 75,378
FUND BALANCES		
Endowment fund (Note 5)	2,069,917	2,064,474
Externally restricted fund (Note 5)	5,564,869	4,795,076
Unrestricted fund	(183,701)	404,313
	7,451,085	7,263,863
	\$ 7,539,720	\$ 7,339,241

ON BEHALF OF THE BOARD


 _____ Director


 _____ Director

STURGEON COMMUNITY HOSPITAL FOUNDATION
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2023

	Endowment Fund	Externally Restricted Fund	Unrestricted Fund	2023 Total	2022 Total
REVENUES					
Fundraising	\$ -	\$ 791,924	\$ 583,230	\$ 1,375,154	\$ 893,377
Investment income (Note 6)	5,443	397,943	(391,692)	11,694	98,231
Gifts in kind	-	-	9,567	9,567	-
Other administrative	-	93,004	150,999	244,003	265,810
	5,443	1,282,871	352,104	1,640,418	1,257,418
EXPENDITURES					
Fundraising	-	21,460	353,263	374,723	250,308
Salaries and benefits (Note 4)	-	-	291,909	291,909	179,390
Supplies and services	-	-	172,041	172,041	125,476
	-	21,460	817,213	838,673	555,174
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE DISTRIBUTIONS	5,443	1,261,411	(465,109)	801,745	702,244
Distributions to Alberta Health Services (Note 4)	-	491,618	122,905	614,523	422,233
NET EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,443	769,793	(588,014)	187,222	280,011
FUND BALANCES - BEGINNING OF YEAR	2,064,474	4,795,076	404,313	7,263,863	6,983,852
FUND BALANCE - END OF YEAR	\$ 2,069,917	\$ 5,564,869	\$ (183,701)	\$ 7,451,085	\$ 7,263,863

STURGEON COMMUNITY HOSPITAL FOUNDATION**Statement of Cash Flow****Year Ended March 31, 2023**

	2023	2022
OPERATING ACTIVITIES		
Cash receipts	\$ 1,621,362	\$ 1,159,187
Cash paid to suppliers and employees	(887,217)	(697,205)
Investment income	38,009	4,055
Disbursements	(614,523)	(422,232)
Goods and Services Tax	(7,004)	(877)
Cash flow from operating activities	150,627	42,928
INVESTING ACTIVITY		
Redemption of investments	41,197	42,941
Cash flow from investing activity	41,197	42,941
INCREASE IN CASH FLOW	191,824	85,869
CASH - BEGINNING OF YEAR	1,007,617	921,748
CASH - END OF YEAR	\$ 1,199,441	\$ 1,007,617

Unrealized losses of \$459,280 (2022 - loss of \$497,515) and reinvested income of \$432,964 (2022 - \$571,749) have been excluded from the Statement of Cash Flows as they did not include the use of cash and cash equivalents.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2023

1. PURPOSE OF THE FOUNDATION

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. Significant accounting policies observed in the preparation of the financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit adjusted for any outstanding deposits and payments.

Included in cash and cash equivalents is \$207,242 (2022 - \$132,711) in gaming proceeds, which can only be used in accordance with a licensing agreement with the Alberta Gaming, Liquor, and Cannabis Commission (AGLC).

Fund accounting

Sturgeon Community Hospital Foundation applies the fund accounting method for financial statements presentation. These financial statements include the following funds:

- a) The 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.
- b) The Externally Restricted Fund consists of funds and related investment income upon which restricted have been imposed by third parties.
- c) The 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.

Revenue recognition

Sturgeon Community Hospital Foundation follows the restricted fund method of accounting for contributions and revenue is recognized as follows:

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STURGEON COMMUNITY HOSPITAL FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- a) 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.
- b) 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.
- c) Fundraising revenue from special events is recognized as of the date of the event.
- d) Contributions for endowment are recognized as revenue in the Endowment Fund.
- e) 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.

Financial instruments

All arm's length financial instruments are initially measured at fair value, and, unless otherwise noted, the Foundation subsequently measures its financial instruments at amortized cost.

The measurement basis for related party financial instruments is disclosed in Note 4.

Contributed materials and services

Contributed materials and services are recorded at fair market value as gifts-in-kind when they would have otherwise been purchased and when a fair market value can be reasonably estimated. Contributed services of volunteers are not recognized in these financial statements as their fair market value cannot be reasonably determined.

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

Year Ended March 31, 2023

3. PORTFOLIO INVESTMENTS

	2023	2022
Balanced pooled fund	\$ 5,700,751	\$ 5,727,734
Canadian money market fund	309,211	277,342
Canadian bond pooled fund	242,355	314,755
	\$ 6,252,317	\$ 6,319,831

These funds include domestic and foreign 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.

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 able to be reasonably estimated and consequently, are not reflected in these financial statements.

At March 31, 2023, \$36,713 (2022 - \$13,275) was payable to AHS for certain distributions towards 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, 2023 were \$177,290 (2022 - \$164,186). During the year ended March 31, 2023, the Foundation distributed \$614,523 (2022 - \$422,232) 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.

STURGEON COMMUNITY HOSPITAL FOUNDATION**Notes to Financial Statements****Year Ended March 31, 2023****5. FUND BALANCES**

	2023	2022
<u>Endowment fund:</u>		
Cable Family Fund III - NECHC	\$ 76,226	\$ 74,310
Cable Family Fund II - SCH	140,261	136,734
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
	\$ 2,069,917	\$ 2,064,474
<u>Externally restricted fund:</u>		
St. Albert Breakfast Lions Club Fund	169,834	166,582
Cable Family Fund II - SCH	169,667	173,665
Cable Family Fund III - NECHC	265,513	266,718
Compassionate Parking Endowment Fund	896,621	678,694
Public Education Endowment Fund	13,514	10,485
Donna (Kryskow) Toronchuk Memorial Fund	35,946	29,499
Palliative Care Fund	248,066	232,940
Catherine Thyra Fyfe Memorial Fund	249,611	258,550
L. Schmidt Memorial ADP	68,724	54,107
Rooke Scholarship Fund	149,641	150,141
Annual Campaign Initiatives - Major Gifts	606,120	354,646
OR Equipment Project Fund	1,500,000	1,500,000
Balmoral Masonic Lodge	37,625	23,308
North East Community Health Centre	76,995	65,626
Major Gifts - Emergency Department	10,909	10,909
Major Gifts - Phase 2	48,910	48,910
Annual Campaign	321,735	235,395
Directed Donations	279,099	188,673
Staff Lottery Fund	294,126	236,242
Pandemic Campaign	33,917	33,142
Staff Education & Wellness	45,767	55,873
Casino Event	42,529	20,971
	\$ 5,564,869	\$ 4,795,076

STURGEON COMMUNITY HOSPITAL FOUNDATION
Notes to Financial Statements
Year Ended March 31, 2023

6. INVESTMENT INCOME	2023	2022
Unrealized gains (losses)	\$ (459,280)	\$ (497,673)
Dividend income	437,046	571,749
Interest income	33,928	4,055
Realized gains	-	20,100
	\$ 11,694	\$ 98,231

7. ADDITIONAL INFORMATION TO COMPLY WITH THE CHARITABLE FUNDRAISING ACT AND REGULATION

Employees whose principal duties involve fundraising were paid remuneration of \$102,076 (2022 - \$97,294).

No expenditures were incurred for a separate fundraising business to make solicitations on behalf of the Foundation.

8. 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, 2021, the LAPP was considered to be 124% funded with a \$11.9 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 (2022 - 8.45) percent of pensionable salary up to the yearly maximum pensionable earnings. Employees are required to contribute 7.45 (2022 - 7.45) 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.

STURGEON COMMUNITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year Ended March 31, 2023

9. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments. The following analysis provides information about the Foundation's risk exposure and concentration as of March 31, 2023. Unless otherwise noted, the Foundation's risk exposure has not changed from the prior year.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Foundation is exposed to credit risk from donors and other parties. As at March 31, 2023, 100% of accounts receivable are due from two entities.

Market risk

The Foundation is exposed to market risk through its marketable securities and endowment investments. Management believes the risk faced by the Foundation with regards to market risk is an acceptable risk faced in the ordinary course of business and seeks to minimize the risks associated with its investment portfolio through effectively supervising, monitoring and evaluating the management of its investment portfolio. The Foundation has developed a formal Investment Policy Statement to assist in minimizing the risk associated with its marketable securities while preserving the investment portfolio value and providing a stable income stream to permit the Foundation to carry out its mandate.

Interest rate risk

The Foundation is exposed to interest risk on its marketable securities. The Foundation has not entered into any financial derivatives or other financial instruments to hedge against risk. In seeking to minimize the risks from interest rate fluctuations, the Foundation actively manages exposure through its active portfolio management policies and procedures.

10. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.