

Financial Statements of

**STOLLERY CHILDREN'S
HOSPITAL FOUNDATION**

Year ended March 31, 2021



KPMG LLP
2200, 10175 – 101 Street
Edmonton, AB T5J 0H3
Telephone (780) 429-7300
Fax (780) 429-7379
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Stollery Children's Hospital Foundation

Opinion

We have audited the financial statements of the Stollery Children's Hospital Foundation, which comprise:

- the statement of financial position as at March 31, 2021
- 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Stollery Children's Hospital Foundation as at March 31, 2021, 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 Opinion

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 Stollery Children's Hospital Foundation 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 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 Stollery Children's Hospital 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 Stollery Children's Hospital Foundation or to cease operations, or has no realistic alternative but to do so

Those charged with governance are responsible for overseeing the Stollery Children's Hospital Foundation'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 Stollery Children's Hospital 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 Stollery Children's Hospital 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 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 Stollery Children's Hospital 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 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.

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', with a small upward tick at the end.

Chartered Professional Accountants

Edmonton, Canada

June 15, 2021

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2021

Financial Statements

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STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 8,072,638	\$ 6,763,106
Accounts receivable	469,664	355,205
Advances for grants to qualified donees (note 2)	597,625	1,586,538
Prepaid expenses	433,980	458,975
Inventory	253,262	219,900
	<u>9,827,169</u>	<u>9,383,724</u>
Portfolio investments (note 3)	62,725,614	57,340,457
Capital assets (note 4)	442,800	416,736
	<u>\$ 72,995,583</u>	<u>\$ 67,140,917</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 2,744,971	\$ 6,174,345
Deferred revenue	42,759	51,180
	<u>2,787,730</u>	<u>6,225,525</u>
Fund balances:		
Externally restricted	4,795,995	4,131,161
Internally restricted (note 5)	35,491,475	34,199,143
Unrestricted	29,920,383	22,585,088
	<u>70,207,853</u>	<u>60,915,392</u>
Commitments (note 5)		
	<u>\$ 72,995,583</u>	<u>\$ 67,140,917</u>

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

Chair

Chair of Finance and Audit Committee

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2021, with comparative information for 2020

	Externally restricted fund	Internally restricted fund	Unrestricted fund	Total 2021	Total 2020
Revenue:					
Fundraising projects and contributions	\$ 1,150,689	\$ -	\$ 14,903,579	\$ 16,054,268	\$ 22,239,464
Mighty Millions Lottery	-	-	10,534,575	10,534,575	9,253,066
Investment income (loss) (Schedule A)	-	-	8,669,598	8,669,598	(2,014,755)
Government assistance	-	-	693,534	693,534	-
Merchandising	-	-	314,633	314,633	463,704
	1,150,689	-	35,115,919	36,266,608	29,941,479
Expenditures:					
Fundraising	-	-	4,623,052	4,623,052	6,670,422
Mighty Millions Lottery	-	-	7,404,129	7,404,129	6,841,144
Administration	-	-	2,312,897	2,312,897	2,394,716
Merchandising	-	-	333,261	333,261	450,444
	-	-	14,673,339	14,673,339	16,356,726
Excess of revenue over expenditures before grants	1,150,689	-	20,442,580	21,593,269	13,584,753
Grant payments	485,855	11,814,953	-	12,300,808	20,174,987
Excess (deficiency) of revenue over expenditures	664,834	(11,814,953)	20,442,580	9,292,461	(6,590,234)
Fund balances, beginning of year	4,131,161	34,199,143	22,585,088	60,915,392	67,505,626
Transfers	-	13,107,285	(13,107,285)	-	-
Fund balances, end of year	\$ 4,795,995	\$ 35,491,475	\$ 29,920,383	\$ 70,207,853	\$ 60,915,392

See accompanying notes to financial statements.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by operations:		
Excess (deficiency) of revenue over expenditures	\$ 9,292,461	\$ (6,590,234)
Items not involving cash:		
Unrealized (gain) loss on portfolio investments	(5,867,702)	6,668,875
Realized gain on portfolio investments	(778,504)	(2,493,757)
Amortization of capital assets	106,022	83,318
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(114,459)	288,445
Decrease (increase) in advances for grants to qualified donees	988,913	(1,586,538)
Decrease in prepaid expenses	24,995	625
Increase in inventory	(33,362)	(50,471)
(Decrease) increase in accounts payable and accrued liabilities	(3,429,374)	3,660,398
Decrease in deferred revenue	(8,421)	(101,684)
	180,569	(121,023)
Cash flows used in investing activities:		
Sale (acquisition) of portfolio investments, net	1,261,049	(4,525,930)
Acquisition of capital assets	(132,086)	(45,642)
	1,128,963	(4,571,572)
Increase (decrease) in cash	1,309,532	(4,692,595)
Cash, beginning of year	6,763,106	11,455,701
Cash, end of year	\$ 8,072,638	\$ 6,763,106

See accompanying notes to financial statements.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2021

Stollery Children's Hospital Foundation (the "Foundation") operates under the Regional Health Authorities Foundations Regulation. The Foundation is registered with the Canada Revenue Agency as a charitable organization and is exempt from income taxes.

The mission of the Foundation is to enhance health services for children by raising money to support the Stollery Children's Hospital (the "Hospital") and programs that promote health, prevent disease and treat illness and injury. Funding provided by the Foundation supports health services for children through education, research, special services and acquisition of equipment. As well, the Foundation educates communities on needs, thanks donors who support the Foundation and shares the impact of their donation on the lives of children and their families.

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.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. The following funds have been established for financial reporting purposes:

- i) Externally restricted fund - consists of funds which restrictions have been imposed by the donor
- ii) Internally restricted fund – consists of funds upon which restrictions have been imposed by the Board of Trustees (the "Board"). These funds represent donations and income that were initially unrestricted by upon which the Board has placed restrictions for specific priority programs at the Hospital.
- iii) Unrestricted fund - consists of donations and investment income upon which no restrictions have been imposed by the donors or the Board. These funds are managed in accordance with general Board policies and may be internally restricted through Board motion.

(b) Inventory:

Inventory consists of items held for resale and is valued at the lower of cost, measured on a first-in, first-out basis, and replacement cost. Merchandising expense represents the cost of inventory sold during the year.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Repairs and maintenance costs are expensed as incurred. Betterments which extend the useful life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. Capital assets include works of art which are not subject to amortization.

Capital assets are amortized on a straight-line basis as follows:

Asset	Useful Life
Equipment	3 years
Furniture and fixtures	10 years
Computer software	3 years
Leasehold improvements	Term of Lease

(d) Revenue recognition:

Externally 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.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as revenue of the unrestricted fund when earned.

Fundraising projects and merchandising revenue are recognized in the year in which the event is held or goods are sold.

The Foundation applies for financial assistance under available government programs. Government assistance is recognized as revenue the year in which the related expenses are incurred.

(e) 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.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. The Foundation does not use derivative financial instruments to alter the effects of market interest or foreign exchange fluctuations. 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.

(g) 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 amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(h) Employee future benefits:

The Foundation participates in the Local Authorities Pension Plan, which is a multi-employer defined benefit pension plan. As it is not practicable to separate the information in the plan that relates to the Foundation, it is accounted for as a defined contribution plan.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

2. Advances for grants to qualified donees:

The Foundation has advanced funds to qualified grant donees, of which \$597,625 (2020 - \$1,586,358) was not fully utilized by the donee by the end of the fiscal year. The Foundation receives reporting of the usage of the grants from the donees and expects the funds to be expended within the following year.

3. Portfolio investments:

	2021	2020
Fixed-income, measured at fair value:		
Term deposit	\$ 4,023,211	\$ 7,166,870
Pooled bond funds	17,773,925	15,693,067
	<u>21,797,136</u>	<u>22,859,937</u>
Equities, measured at fair value:		
Canadian	18,903,392	15,672,182
International	21,758,887	18,550,169
	<u>40,662,279</u>	<u>34,222,351</u>
Cash surrender value of life insurance	262,567	258,169
Cash and cash equivalents	3,632	-
	<u>\$ 62,725,614</u>	<u>\$ 57,340,457</u>

The Foundation's long-term investments are with an institutional investment management firm investing in pooled funds.

- a) The term deposits carry coupon rates of 0.53% to 2.29% (2020 - 2.01% to 3.05%) and maturity dates of April 2021 to October 2021 (2020 - April 2020 to July 2021).

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Portfolio investments (continued):

- b) Pooled bond funds are comprised of publicly traded fixed-income instruments, including institutional short term investment funds, high yield bond funds, mortgage pension funds, municipal bond funds, private placement corporate debt funds, emerging markets foreign exchange funds, and investment grade corporate bond trusts. The pooled bond funds are managed with the objective of providing optimal returns while maintaining security of capital. Return is optimized within the risk constraints of the portfolio by management of portfolio duration and issuer mix.
- c) Equities are comprised of publicly traded equities in Canadian and International (including United States) corporations.
- d) Cash and equivalents are represented by cash on deposit with the Investment Broker for future investment purchases.

4. Capital assets:

			2021	2020
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 287,957	\$ 149,841	\$ 138,116	\$ 55,829
Furniture and fixtures	227,345	124,613	102,732	123,136
Computer software	55,185	53,998	1,187	4,037
Leasehold improvements	323,006	172,241	150,765	183,734
Works of art	50,000	-	50,000	50,000
	\$ 943,493	\$ 500,693	\$ 442,800	\$ 416,736

Amortization of \$106,022 (2020 - \$83,318) is included in administration expenditures.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Commitments:

- a) The Foundation is committed to future annual operating lease payments for office equipment as follows:

2022	\$	3,472
2023		3,411
2024		3,411
2025		3,411
Thereafter		6,255

- b) The Foundation has approved cumulative funding commitments of \$35,491,475 (2020 - \$34,199,143) which will be carried forward to future years. At March 31, 2021, \$29,491,475 (2020 - \$28,582,020) relates to commitments to the Stollery Children's Hospital that will be distributed upon request.

In addition to the approved funding commitments, the Foundation has entered into memorandums of understanding with various entities to provide financial support for children's health initiatives. As at March 31, 2021, the future funding commitments related to these arrangements are \$20,871,188 (2020 - \$25,989,065).

	Women & Children's Health Research Institute	Grande Prairie Regional Hospital Foundation	Mental Health Foundation	Total
2022	\$ 5,000,000	\$ 489,065	\$ 1,000,000	\$ 6,489,065
2023	4,500,000	-	-	4,500,000
2024	4,000,000	-	-	4,000,000
Thereafter	5,882,123	-	-	5,882,123
	\$ 19,382,123	\$ 489,065	\$ 1,000,000	\$ 20,871,188

During the year, the Foundation transferred from the unrestricted fund \$4,117,877 and \$1,000,000 for Women & Children's Health Research Institute and the Mental Health Foundation respectively. As at March 31, 2021, these funds remain in the internally restricted fund, and are not included in the above outstanding commitments.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

5. Commitments:

- c) The Foundation has received pledges of \$2,155,547 (2020 - \$2,384,930) from donors which have not been recognized as revenue at year-end. Receipt of the amounts pledged is expected by the Foundation as follows:

2022	\$	899,232
2023		818,648
2024		299,000
2025		131,000
Thereafter		7,667

6. Employee future benefits:

All eligible employees of the Foundation participate in the Local Authorities Pension Plan (LAPP) under the Public Sector Pension Plans Act. Contribution requirements for the Foundation are as follows:

	2021	2020
Employer		
Pensionable earnings up to the maximum under the Canada Pension Plan	9.39%	9.39%
Pensionable earnings in excess of the maximum under the Canada Pension Plans	13.84%	13.84%
Employee		
Pensionable earnings up to the maximum under the Canada Pension Plan	8.39%	8.39%
Pensionable earnings in excess of the maximum under the Canada Pension Plan	12.84%	12.84%

Information for the year ended December 31, 2020 was not available at the time of preparing these financial statements (2019 - actuarial surplus of \$7.9 billion). The Foundation contributed a total of \$360,750 for the year ended March 31, 2021 (2020 - \$401,578), which has been recorded within administrative expenditures in the statement of operations. The Foundation had 42 (2020 - 40) contributing members in the plan which has a total of 274,151 members at December 31, 2019 (2018 - 265,813).

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Related party transactions:

The Foundation provides grants of money and services to the Hospital. These grants allow the Hospital to provide health services not funded from other sources.

Accommodation, furnishings and certain other overhead costs incurred in the administration of the Foundation provided by the Hospital and Alberta Health Services are not reasonably estimable and consequently are not reflected in these financial statements.

During the year, the Foundation made payments to Alberta Health Services of \$5,988,105 (2020 - \$12,789,549). These payments include distributions made to support funding priorities and other operating expenses. The details of these payments are as follows:

	2021	2020
Grant expense	\$ 5,971,494	\$ 12,746,738
Other operating expenses	16,611	42,811
Total expense during the year	\$ 5,988,105	\$ 12,789,549

At March 31, 2021, accounts payable and accrued liabilities include \$1,426,189 (2020 - \$3,832,961) due to Alberta Health Services.

8. 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 favorable or unfavorable variance compared to book value. Credit risk is mitigated by investing in government securities and corporate bonds with a rating of A or better 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.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

8. Financial risks (continued):

The Foundation does not use derivative instruments to alter the effects of interest, market and foreign exchange risks.

9. Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which has continued to spread throughout Canada. Throughout the pandemic, the Foundation has followed its business continuity plan along with Alberta Health Services and provincial guidelines in terms of minimizing in-office presence of staff, as well as the related impacts on any in-person special events. The Foundation created and executed a financial contingency plan in June 2020 that included the termination of 6 full-time and 1 part-time roles, as well as cancelling some special events, while moving other events to a virtual experience. The Foundation was also eligible for, and received, \$25,000 in the Temporary Wage Subsidy and \$693,534 in the Canada Emergency Wage Subsidy. These changes and the receipt of the subsidies minimized the financial impact on net revenue.

10. Comparative information:

Certain comparative information have been reclassified to conform to current year's presentation.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Schedule A - Investment Income

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Dividends	\$ 1,341,636	\$ 940,426
Interest	686,644	1,217,546
Realized gains on portfolio investments	778,504	2,493,756
Unrealized gains (losses) on portfolio investments	5,867,702	(6,668,875)
Foreign exchange (losses) gains	(4,888)	2,392
	<u>\$ 8,669,598</u>	<u>\$ (2,014,755)</u>