

Financial Statements of

**STOLLERY CHILDREN'S
HOSPITAL FOUNDATION**

Year ended March 31, 2015



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Stollery Children's Hospital Foundation, which comprise the statement of financial position as at March 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Stollery Children's Hospital Foundation as at March 31, 2015, 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.

KPMG LLP

Chartered Accountants

June 9, 2015
Edmonton, Canada

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2015

Financial Statements

Statement of Financial Position	1
Statement of Operations and Changes in Fund Balances	2
Statement of Cash Flows	3
Notes to Financial Statements	4
Schedule A - Investment Income	13

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2015, with comparative information for 2014

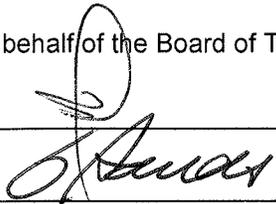
	2015	2014
Assets		
Current assets:		
Cash	\$ 11,815,001	\$ 14,421,513
Accounts receivable	308,182	555,691
Prepaid expenses	64,939	171,917
Inventory	102,762	73,063
	<u>12,290,884</u>	<u>15,222,184</u>
Long term receivable	367,816	363,311
Portfolio investments (note 2)	42,066,967	34,270,059
Capital assets (note 3)	111,834	69,115
	<u>\$ 54,837,501</u>	<u>\$ 49,924,669</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,180,078	\$ 1,933,389
Deferred revenue	60,500	196,763
	<u>1,240,578</u>	<u>2,130,152</u>
Fund balances:		
Externally restricted	9,772,748	9,863,310
Internally restricted	21,197,056	18,325,365
Unrestricted	22,627,119	19,605,842
	<u>53,596,923</u>	<u>47,794,517</u>
Commitments (note 4)		
	<u>\$ 54,837,501</u>	<u>\$ 49,924,669</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, 2015, with comparative information for 2014

	Externally restricted fund	Internally restricted fund	Unrestricted fund	Total 2015	Total 2014
Revenue:					
Fundraising projects and contributions	\$ 3,881,331	\$ -	\$ 16,998,395	\$ 20,879,726	\$ 19,917,100
Investment income (Schedule A)	-	-	3,164,420	3,164,420	2,901,167
Merchandising	-	-	342,783	342,783	323,830
	3,881,331	-	20,505,598	24,386,929	23,142,097
Expenditures:					
Fundraising	-	-	5,116,547	5,116,547	4,098,906
Administration	-	-	2,195,812	2,195,812	1,943,969
Merchandising	-	-	274,962	274,962	367,082
	-	-	7,587,321	7,587,321	6,409,957
Excess of revenue over expenditures before grants	3,881,331	-	12,918,277	16,799,608	16,732,140
Grants to the Stollery Children's Hospital	3,971,893	7,025,309	-	10,997,202	9,002,022
Excess (deficiency) of revenue over expenditures	(90,562)	(7,025,309)	12,918,277	5,802,406	7,730,118
Fund balances, beginning of year	9,863,310	18,325,365	19,605,842	47,794,517	40,064,399
Transfers	-	9,897,000	(9,897,000)	-	-
Fund balances, end of year	\$ 9,772,748	\$ 21,197,056	\$ 22,627,119	\$ 53,596,923	\$ 47,794,517

See accompanying notes to financial statements.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 5,802,406	\$ 7,730,118
Amortization of capital assets	49,650	43,161
Realized gain on portfolio investments	(698,559)	(1,336,485)
Unrealized gain on portfolio investments	(1,138,751)	(387,922)
Change in non-cash operating working capital:		
Decrease (increase) in accounts receivable	247,509	(267,935)
Decrease (increase) in prepaid expenses	106,978	(32,033)
Decrease (increase) in inventory	(29,699)	24,675
Increase in long term receivable	(4,505)	(363,311)
Increase (decrease) in accounts payable and accrued liabilities	(753,310)	931,031
Increase (decrease) in deferred revenue	(136,263)	1,763
	<u>3,445,456</u>	<u>6,343,062</u>
Cash flows from investing activities:		
Acquisition of portfolio investments, net	(5,959,599)	(814,008)
Acquisition of capital assets	(92,369)	(14,109)
	<u>(6,051,968)</u>	<u>(828,117)</u>
Increase (decrease) in cash	(2,606,512)	5,514,945
Cash, beginning of year	14,421,513	8,906,568
Cash, end of year	<u>\$ 11,815,001</u>	<u>\$ 14,421,513</u>

See accompanying notes to financial statements.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2015

Stollery Children's Hospital Foundation (the "Foundation") operated under the authority of the Provincial General Hospitals Act until March 31, 1995 at which time the Foundation was continued 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 raise money in support of the Stollery Children's Hospital (the "Hospital") in the pursuit of excellence in children's health care, to thank the donors who support the Foundation and to communicate to donors 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) Unrestricted fund - consists of donations and investment income upon which no restrictions have been imposed by the donors or the Board of Directors (the "Board"). These funds are managed in accordance with general Board policies and may be internally restricted through Board motion.
- ii) Internally restricted fund - consists of funds upon which restrictions have been imposed by the Board. These funds represent donations and income that were initially unrestricted but upon which the Board has placed restrictions for specific priority programs at the Hospital.
- iii) Externally restricted fund - consists of funds which restrictions have been imposed by the donor.

(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, 2015

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at their fair market value at the date of contribution. 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	5 years

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

(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, 2015

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, 2015

2. Portfolio investments:

	2015	2014
Fixed-income, measured at fair value:		
Government and government backed bonds	\$ 15,398,597	\$ 8,186,608
Corporate bonds	11,333,341	11,362,176
	<u>26,731,938</u>	<u>19,548,784</u>
Equities, measured at fair value:		
Canadian	6,592,106	6,641,556
United States	5,609,073	4,235,571
International	1,443,927	1,435,762
	<u>13,645,106</u>	<u>12,312,889</u>
Cash and equivalents	1,689,923	2,408,386
	<u>\$ 42,066,967</u>	<u>\$ 34,270,059</u>

Government and government backed bonds carry coupon rates of 0.50% to 3.35% (2014 - 0.97% to 3.25%) with maturity dates from June 2015 to October 2029 and a principal amount of \$14,914,606 (2014 - \$8,102,727).

Corporate bonds carry coupon rates of 0.90% to 5.27% (2014 - 1.10% to 6.09%) with maturity dates from May 2015 to July 2028 and a principal amount of \$10,953,145 (2014 - \$11,236,847).

Approximately 18% (2014 – 29%) of the fixed-income investments mature within the next fiscal year, 53% (2014 - 17%) mature within the next two to five years and the balance mature after 5 years.

Equities are comprised of publicly traded equities in Canadian, United States and International corporations.

Cash and equivalents are represented by cash on deposit with the Investment Broker for future investment purchases.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

3. Capital assets:

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 231,944	\$ 194,531	\$ 37,413	\$ 9,230
Furniture and fixtures	162,378	147,994	14,384	26,575
Computer software	168,213	158,176	10,037	33,310
Leasehold improvements	31,913	31,913	-	-
Works of art	50,000	-	50,000	-
	\$ 644,448	\$ 532,614	\$ 111,834	\$ 69,115

Amortization of \$49,650 is included in administration expenditures (2014 - \$43,161).

4. Commitments:

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

2016	\$	20,032
2017		16,981
2018		9,465
2019		9,465
2020		9,465
Thereafter		4,733

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Commitments (continued):

- b) The Foundation has approved cumulative funding commitments of \$21,197,056 (2014 - \$18,325,365) which will be carried forward to future years.

Included within the approved cumulative funding commitments, the Foundation has an arrangement to provide financial support for research, training and infrastructure in the area of women and children's health. The Foundation approved a funding commitment of up to \$30 million to be remitted in annual payments of approximately \$3 million over a ten year period ending in 2016. As at March 31, 2015, the Foundation has future funding commitments related to this arrangement of \$3,115,150 (2014 - \$6,935,150).

- c) The Foundation has received pledges of \$5,117,800 (2014 - \$2,677,823) from donors which have not been recognized as revenue at year-end. Payment of the amounts pledged is expected by the Foundation as follows:

2016	\$	1,742,382
2017		1,557,468
2018		772,950
2019		495,000
Thereafter		550,000

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. 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:

	2015		2014	
	April - December	January - March	April - December	January - March
Employer				
Pensionable earnings up to the maximum under the Canada Pension Plan	11.39%	11.39%	10.43%	11.39%
Pensionable earnings in excess of the maximum under the Canada Pension Plans	15.84%	15.84%	14.47%	15.84%
Employee				
Pensionable earnings up to the maximum under the Canada Pension Plan	10.39%	10.39%	9.43%	10.39%
Pensionable earnings in excess of the maximum under the Canada Pension Plan	14.84%	14.84%	13.47%	14.84%

Information for the year ended December 31, 2014 was not available at the time of preparing these financial statements. At December 31, 2013, the LAPP disclosed an actuarial deficiency of \$4.861 billion. The Foundation contributed a total of \$312,196 for the year ended March 31, 2015 (2014 - \$243,005), which has been recorded as an expenditure in the statement of operations.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

6. Related party transactions:

The Foundation provides donations of money and services to the Hospital. These donations 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.

At March 31, 2015, accounts payable and accrued liabilities include \$243,901 (2014 - \$855,958) due to Alberta Health Services.

7. Additional information to comply with the disclosure requirement of the Charitable Fund Raising Act and Regulation:

In the current year, \$1,913,788 (2014 - \$1,844,941) was paid to employees whose principal duties involve fundraising. No amounts (2014 - \$nil) were paid as remuneration to a fundraising business, including any expenses or fees paid by the Foundation on behalf of the fundraising business or as reimbursements to the fundraising business.

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2015

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.

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

STOLLERY CHILDREN'S HOSPITAL FOUNDATION

Schedule A - Investment Income

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Dividends	\$ 398,218	\$ 497,153
Interest	928,892	679,607
Realized gains on portfolio investments	698,559	1,336,485
Unrealized gains on portfolio investments	1,138,751	387,922
	<u>\$ 3,164,420</u>	<u>\$ 2,901,167</u>