

# **MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**

## **Financial Statements**

**Year Ended March 31, 2018**

Independent Auditors' Report

Statement of Financial Position

Statement of Operations and Changes in Fund Balances

Statement of Cash Flows

Consolidated Statement of Accumulated Remeasurement Gains and Losses

Notes to the Financial Statements



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## INDEPENDENT AUDITORS' REPORT

To the Trustees of the Medicine Hat and District Health Foundation

We have audited the accompanying financial statements of the Medicine Hat and District Health Foundation, which comprise the statement of financial position as at March 31, 2018, the statements of operations and changes in fund balances, remeasurement gains and losses, 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 public sector accounting standards, 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 in our audit 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 Medicine Hat and District Health Foundation as at March 31, 2018, and its results of operations, and changes in fund balances, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants

Lethbridge, Canada

September 5, 2018

**MEDICINE HAT AND DISTRICT HEALTH FOUNDATION****Statement of Financial Position**

As at March 31, 2018

	2018	2017
	\$	\$
<b>Current Assets:</b>		
Cash and cash equivalents (Note 5)	\$ 1,821,760	\$ 1,911,731
Interest receivable	9,763	10,714
	<u>1,831,523</u>	<u>1,922,445</u>
<b>Non-Current Assets:</b>		
Long term investments (Note 6)	3,973,673	4,120,454
	<u>\$ 5,805,196</u>	<u>\$ 6,042,899</u>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 66,489	\$ 21,606
Due to Alberta Health Services (Note 8)	189,629	284,544
	<u>256,118</u>	<u>306,150</u>
<b>Fund Balances:</b>		
General fund	3,701,987	3,756,123
Restricted fund	1,733,462	1,775,354
Accumulated remeasurement gains	113,629	205,272
	<u>5,549,078</u>	<u>5,736,749</u>
<b>Commitment (Note 10)</b>		
	<u>\$ 5,805,196</u>	<u>\$ 6,042,899</u>

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Trustee

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Trustee

The accompanying notes are part of the financial statements.

**MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**  
**Statement of Operations and Changes in Fund Balances**

For the year ended March 31, 2018

	General Fund		Restricted Fund		Total	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>						
Fundraising (Note 4)	\$ -	\$ -	\$ 116,309	\$ 128,095	\$ 116,309	\$ 128,095
Donations	-	-	547,596	539,472	547,596	539,472
Alberta Health Services reimbursements (Note 8)	169,950	130,500	-	-	169,950	130,500
Net investment income (Note 7)	175,153	161,220	-	-	175,153	161,220
	345,103	291,720	663,905	667,567	1,009,008	959,287
<b>Expenses:</b>						
Donation disbursements (Note 8)	-	-	646,096	630,548	646,096	630,548
Operating costs	399,239	339,909	59,702	67,719	458,940	407,628
	399,239	339,909	705,798	698,267	1,105,036	1,038,176
<b>Excess of revenue over expenses (expenses over revenue)</b>	<b>(54,136)</b>	<b>(48,189)</b>	<b>(41,892)</b>	<b>(30,700)</b>	<b>(96,028)</b>	<b>(78,889)</b>
Fund balances, beginning of year	3,756,123	3,805,637	1,775,354	1,804,729	5,531,477	5,610,366
Interfund balance transfer	-	(1,325)	-	1,325	-	-
<b>Fund balances, end of year</b>	<b>\$ 3,701,987</b>	<b>\$ 3,756,123</b>	<b>\$ 1,733,462</b>	<b>\$ 1,775,354</b>	<b>\$ 5,435,449</b>	<b>\$ 5,531,477</b>

The accompanying notes are part of the financial statements.

**MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**

**Statement of Cash Flows**

For the year ended March 31, 2018

	2018	2017
	\$	\$
Cash provided by (used in):		
Operations		
Excess of revenue over expenses (expenses over revenue)	\$ (96,028)	\$ (78,889)
Items not involving cash:		
Remeasurement gains/(losses)	(91,643)	126,101
Change in non-cash operating working capital:		
Interest receivable	951	(257)
Accounts payable and accrued liabilities	44,884	6,300
Due to Alberta Health Services	(94,915)	(399,268)
Cash generated from operating activities	(236,752)	(346,013)
Investing		
Decrease (increase) in investments	146,781	(44,316)
Cash and cash equivalents, beginning of year	1,911,731	2,302,060
Cash and cash equivalents, end of year	\$ 1,821,760	\$ 1,911,731

The accompanying notes are part of the financial statements.

**MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**

**Statement of Accumulated Remeasurement Gains and Losses**

For the year ended March 31, 2018

	2018	2017
	\$	\$
Accumulated remeasurement gains/losses, beginning of year	\$ 205,272	\$ 79,171
Unrealized gains/losses from investments recorded at fair value	(28,925)	78,706
Unrealized gain/losses due to foreign exchange	(62,717)	47,395
Net remeasurement gains/loss end of year	(91,643)	126,101
Accumulated remeasurement gains/losses end of year	\$ 113,629	\$ 205,272

The accompanying notes are part of the financial statements.

# MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements  
For the year ended March 31, 2018

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## 1. Authority, Purpose and Operations

The Medicine Hat and District Health Foundation (the "Foundation") was established on June 24, 1996 under a Foundation bylaw created by the Palliser Health Region, as provided by the *Regional Health Authorities Act*, Statutes of Alberta 1994. The Foundation is a registered charity under the *Income Tax Act* and is therefore exempt from the payment of income tax.

The Foundation's primary activity is to raise funds for the improvement of health care services within Medicine Hat and District.

## 2. Recent accounting pronouncements

The following summarizes the upcoming changes to the Public Sector Accounting Standards by the Public Sector Accounting Standards Board (PSAB). In 2019, the Entity will continue to assess the impact and prepare for the adoption of these standards. While the timing of standard adoption can vary, certain standards must be adopted concurrently.

### (1) PS 3430 – Restructuring Transactions

This section provides guidance on the recognition, measurement and presentation on restructuring transactions by both the transferor and recipients of assets and/or liabilities, together with related program or operating responsibilities. This section is effective for fiscal years beginning on or after April 1, 2018.

## 3. Adoption of New Accounting Standards

The Foundation has prospectively adopted the following standards effective April 1, 2017:

- (1) **PS 2200** – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- (2) **PS 3420** – Inter-entity Transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.
- (3) **PS 3210** – Assets provides guidance for applying the definition of assets set out in PS 1000, Financial statement concepts, and establishes general disclosure standards for assets.
- (4) **PS 3320** – Contingent Assets defines and establishes disclosure standards for contingent assets.
- (5) **PS 3380** – Contractual Rights defines and establishes disclosure for standards and contractual rights.



## **MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**

Notes to the Financial Statements  
For the year ended March 31, 2018

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### **4. Significant Accounting Policies and Reporting Practices**

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. The following are the significant accounting policies:

#### **(a) Fund Accounting**

The Foundation's financial statements are prepared on a restricted fund accounting basis. For accounting purposes, established funds have been grouped in similar categories as follows:

##### **General Fund**

The General Fund accounts for the Foundation's general fundraising and operating activities. This fund reports interest earnings on investments and operating costs of the Foundation.

##### **Restricted Fund**

The Restricted Fund accounts for contributions that have been designated or restricted by the donor. These restrictions specify that the funds are to be used for the purchase of equipment or for use by a specific department or program. The Foundation considers all donations received to be restricted as the Foundation commits to donors that 100% of their donations will be used in accordance with the respective restrictions.

#### **(b) Revenue Recognition**

The key elements of the Foundation's revenue recognition policies are:

- i. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable.
- ii. Restricted contributions related to general operations are recognized as revenue in the General Fund in the year in which the revenue is received. All other restricted contributions are recognized as revenue of the Restricted Fund.
- iii. Donations are recognized as revenue of the respective fund when received. Pledges are not recorded as revenue until ultimately received.

# MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements  
For the year ended March 31, 2018

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## 4. Significant Accounting Policies and Reporting Practices (continued)

### (c) Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported 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. Management has not elected to record any investments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

### (d) Contributed Services

Volunteers are an integral part of the Foundation's activities. However, contributed services are not recognized as revenues and expenses in the financial statements because fair value cannot be reasonably determined.

### (e) Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements  
For the year ended March 31, 2018

### 5. Cash and Cash Equivalents

The Foundation considers deposits in banks, certificates of deposit and short-term investments including mutual funds with original maturities of three months or less as cash and cash equivalents.

	2018	2017
Cash on deposit	\$1,821,760	\$1,911,731
<b>Total cash and cash equivalents</b>	<b>\$1,821,760</b>	<b>\$1,911,731</b>

Included in cash on deposit is a bank account which pays tiered interest based on the following:

- \$nil to \$250,000 – 1.100% (2017 – 1.100%)
- Over \$250,000 – 1.25% (2017 – 1.150%)

The entity also holds a Held for Business Visa investment account which bears interest at 1.33% (2017 – 1.60%) maturing in May 2018.

### 6. Long Term Investments

	2018	2017
Marketable securities:		
Fixed income, amortized cost	\$1,522,351	\$1,525,507
Equities, fair value	2,451,322	2,594,947
<b>Total long term investments</b>	<b>\$3,973,673</b>	<b>\$4,120,454</b>

Fixed income investments earn interest at rates ranging from 0.75% to 6.40% (2017– 1.25% to 6.40%) and have maturity dates ranging from August 1, 2019 to December 1, 2048 (2017 – March 7, 2018 to December 2, 2046). Investment management fees are expensed as incurred.

Long term investments are recorded at level 1 of the fair value hierarchy using unadjusted quoted market prices as their basis of presentation.

### 7. Investment Income

Investment income consists of:

	2018	2017
Interest income	\$59,450	\$60,904
Dividend income	96,874	83,684
Gain on disposal of investments	18,829	16,632
<b>Net investment income</b>	<b>\$175,153</b>	<b>\$161,220</b>

# MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements  
For the year ended March 31, 2018

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## 8. Related Party Transactions

Funds provided to AHS are shown in the Statement of Operations as 'Donation disbursements.'

AHS provides certain fundraising, financial services and administrative support to the Foundation. However, due to the difficulty in determining its fair value, the assistance provided by AHS is not recognized in the financial statements, except for the contributions received of \$169,950 (2017 - \$130,500).

The Foundation was established through an amendment to the *Regional Health Authorities Act*. Under the terms of the bylaws the Foundation is governed by the following:

- (a) a trustee appointed by Alberta Health Services and who is an employee of Alberta Health Services.
- (b) the balance of the trustees to be chosen pursuant to a public nomination or appointment and
- (c) appointed by Alberta Health Services.

As at March 31, 2018, advances outstanding and payable by the Foundation to Alberta Health Services was \$189,629 (March 31, 2017, 284,544)

## 9. Remuneration to Employees

The net cost to the Foundation for remuneration of employees whose principal duties involved fundraising was \$210,980 (2017- \$223,799).

## 10. Commitment

The Foundation entered into a three year agreement with AHS on November 1, 2010 to operate the Gift Shop at no cost to the Foundation. The agreement was renewed November 1, 2013 for an additional three years. AHS provides an annual donation to the Foundation of the net earnings of the Gift Shop. In 2018, the donation was \$29,351 (2017- \$30,000) and is included in Donation Revenue. The Foundation is in the process of updating the agreement.

## 11. Financial Risk and Concentration of Risk

The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments as a result of investments. Fixed interest instruments subject the Foundation to a fair value risk, however, the risk associated is reduced to a minimum since these assets are invested mainly in government issued bonds.

The Foundation believes it is not exposed to significant liquidity risk as the majority of investments held are in instruments that are highly liquid that can be disposed of to settle commitments.

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of cash and investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate. The Foundation is exposed to foreign exchange fluctuations on its cash denominated in foreign currencies.

Foreign currency risk is managed by the fact that the investment policies limit non-Canadian equities. At March 31, 2018, investments in non-Canadian equities represented 43.38% (March 31, 2017 - 43.15%) of total portfolio investments.

## **MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**

Notes to the Financial Statements  
For the year ended March 31, 2018

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### **12. Comparative Information**

These financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.

### **13. Approval of Financial Statements**

These financial statements were approved by the Foundation Board of Trustees.