

MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Financial Statements

Year Ended March 31, 2020

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

INDEPENDENT AUDITORS' REPORT

To the Trustees of the Medicine Hat and District Health Foundation

Opinion

We have audited the financial statements of Medicine Hat and District Health Foundation (the Foundation), which comprise:

- the statement of financial position as at March 31, 2020
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- the statement of accumulated remeasurement gains and losses for the year then ended
- and notes to the 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 Foundation as at March 31, 2020, 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.

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 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 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 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 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.

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.

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 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 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 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.

Chartered Professional Accountants

Lethbridge, Canada

November 9, 2020

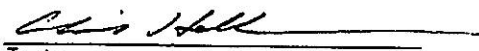
MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Statement of Financial Position

As at March 31, 2020

	2020	2019
	\$	\$
Current Assets:		
Cash and cash equivalents (Note 4)	\$ 1,198,168	\$ 975,783
Interest receivable	11,463	12,059
	<u>1,209,631</u>	<u>987,842</u>
Non-Current Assets:		
Long term investments (Note 5)	4,969,546	5,263,673
	<u>6,179,177</u>	<u>\$ 6,251,515</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 28,293	\$ 19,921
Due to Alberta Health Services (Note 7)	134,138	120,898
	<u>162,430</u>	<u>140,819</u>
Fund Balances:		
General fund	3,504,434	3,565,803
Restricted fund	2,798,294	2,215,223
Accumulated remeasurement gains and losses	(285,981)	329,869
	<u>6,016,747</u>	<u>6,110,696</u>
Commitment (Note 9)		
COVID-19 impact and contingency (Note 12)		
	<u>\$ 6,179,177</u>	<u>\$ 6,251,515</u>

Approved by the Board:


Trustee
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, 2020

	General Fund		Restricted Fund		Total	Total
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Revenue:						
Fundraising (Note 5)	\$ -	\$ -	\$ 139,244	\$ 147,562	\$ 139,244	\$ 147,562
Donations	-	-	895,901	628,672	895,901	628,672
Alberta Health Services reimbursements (Note 7)	101,250	60,000	-	-	101,250	60,000
Net investment income (Note 6)	317,502	153,366	-	-	317,502	153,366
	418,752	213,366	1,035,145	776,234	1,453,897	989,600
Expenses:						
Donation disbursements (Note 7)	-	-	387,546	229,396	387,546	229,396
Operating costs	479,923	349,750	64,528	65,077	544,451	414,827
	479,923	349,750	452,073	294,473	931,996	644,223
Excess (deficiency) of revenue over expenses	(61,171)	(136,384)	583,071	481,761	521,901	345,377
Fund balances, beginning of year	3,565,603	3,701,987	2,215,223	1,733,462	5,780,826	5,435,449
Fund balances, end of year	\$ 3,504,434	\$ 3,565,603	\$ 2,798,294	\$ 2,215,223	\$ 6,302,727	\$ 5,780,826

The accompanying notes are part of the financial statements.

MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**Statement of Cash Flow:**

For the year ended March 31, 20

	2020	2019
	\$	\$
Cash provided by (used in):		
Operations		
Excess of revenue over expenses	\$ 521,901	\$ 345,377
Items not involving cash:		
Remeasurement gains and losses	(615,850)	216,240
Change in non-cash operating working capital:		
Interest receivable	596	(2,295)
Accounts payable and accrued liabilities	8,372	(46,568)
Due to Alberta Health Services	13,240	(68,731)
Cash generated from (used by) operating activities	(71,742)	444,023
Investing		
Decrease (increase) in investments	294,127	(1,290,000)
Cash and cash equivalents, beginning of year	975,783	1,821,760
Cash and cash equivalents, end of year	\$ 1,198,168	\$ 975,783

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, 2020

	2020	2019
	\$	\$
Accumulated remeasurement gains and losses, beginning of year	\$ 329,869	\$ 113,629
Unrealized gains (losses) from investments recorded at fair value	(787,040)	139,909
Unrealized gains due to foreign exchange	171,191	76,331
Net remeasurement gains (losses) end of year	(615,850)	216,240
Accumulated remeasurement gains and losses, end of year	\$ (285,981)	\$ 329,869

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, 2020

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 2021, the Foundation will continue to assess the impact and prepare for the adoption of these standards.

(1) PS 3280 – Asset Retirement Obligations

This section provides guidance on how to account for and report a liability for retirement of a tangible capital asset. This section is effective for fiscal years beginning on or after April 1, 2021.

(2) PS 3400 – Revenue

This section provides guidance on how to account for and report on revenue, specifically addressing revenue arising from exchange transactions and unilateral transactions. This section is effective for fiscal years beginning on or after April 1, 2022.

3. 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.

MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements

For the year ended March 31, 2020

3. Significant Accounting Policies and Reporting Practices (continued)

(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.

(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.

MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements
For the year ended March 31, 2020

3. Significant Accounting Policies and Reporting Practices (continued)

(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.

4. 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.

	2020	2019
Cash on deposit	\$1,198,168	\$975,783
Total cash and cash equivalents	\$1,198,168	\$975,783

Included in cash on deposit is a bank account which pays 0.75% interest (2019 – 1.30 to 1.60%).

The entity also holds a Held for Business Visa investment account which bears interest at 2.39% (2019 – 2.30%) maturing in May 2020.

5. Long Term Investments

	2020	2019
Marketable securities:		
Fixed income, amortized cost	\$1,854,836	\$1,869,773
Equities, fair value	3,114,710	3,393,899
Total long term investments	\$4,969,546	\$5,263,672

Fixed income investments earn interest at rates ranging from 0.75% to 6.40% (2019 – 1.45% to 5.85%) and have maturity dates ranging from April 26, 2021 to December 1, 2051 (2019 – June 1, 2020 to December 1, 2048). 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.

MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements
For the year ended March 31, 2020

6. Investment Income

Investment income consists of:

	2020	2019
Interest income	\$ 69,481	\$ 61,362
Dividend income	144,205	112,516
Gain (loss) on disposal of investments	103,816	(23,634)
Net investment income	\$ 317,502	\$ 153,366

7. 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 \$101,250 (2019 - \$60,000).

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

As at March 31, 2020, advances outstanding and payable by the Foundation to Alberta Health Services was \$134,138 (March 31, 2019 - \$120,898).

8. Remuneration to Employees

The net cost to the Foundation for remuneration of employees whose principal duties involved fundraising was \$255,583 (2019 - \$199,326).

9. Commitment

The Foundation entered into a five year agreement with AHS on August 1, 2018 to operate the Gift Shop at no cost to the Foundation, with an option for one renewal term of five years. AHS provides an annual donation to the Foundation of the net earnings of the Gift Shop. In 2020 (and 2019), there was no donation made as the gift shop earned less than expected. The Foundation incurred certain wage costs for operating the gift shop in 2020.

10. 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.

MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements
For the year ended March 31, 2020

10. Financial Risk and Concentration of Risk (continued)

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, 2020, investments in non-Canadian equities represented 52.29% (March 31, 2019 – 47.54%) of total portfolio investments.

11. Approval of Financial Statements

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

12. COVID-19 Impact and Contingency

The World Health Organization declared a global pandemic for the COVID-19 disease on March 11, 2020. Consequently, on March 17, 2020, the Government of Alberta declared a state of public health emergency over the COVID-19 pandemic and enacted measures for its citizens and businesses to follow, intended to minimize the impact of the disease.

The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the operating results and financial position of the Foundation in the future.

The Foundation experienced a decline in investment value due to market conditions being impacted by the COVID-19 pandemic. Subsequent to March 31, markets have begun a recovery, an indicator the decline may be temporary in nature and a permanent write down has not been recorded.

The global economic impact caused by the COVID-19 pandemic may negatively impact the Foundation's fundraising efforts and donation revenue. The Foundation's ability to meet future donation disbursements may also be negatively impacted as a result. The short and long-term impact cannot be determined at this time.

Management has determined that the Foundation is eligible for the Canada Employment Wage Subsidy ("CEWS") (for applicable periods between March and July) and therefore 75% of the Foundation's wages will be covered by the federal government for those periods and is also eligible for the Temporary Wage Subsidy ("TWS"). To the date of these financial statements, the Foundation has received CEWS subsidy of approximately \$29,890 and received TWS subsidy of approximately \$6,026 for the period of March to June.

The situation is changing rapidly and the future impact on the Foundation is not readily determinable.