

# **MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**

## **Financial Statements**

**Year Ended March 31, 2021**

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, 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
- 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, 2021, 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

**MEDICINE HAT AND DISTRICT HEALTH FOUNDATION**

**Statement of Financial Position**

As at March 31, 2021

	2021	2020
	\$	\$
Current Assets:		
Cash and cash equivalents (Note 4)	\$ 989,175	\$ 1,198,168
Interest receivable	13,980	11,463
	<u>1,003,155</u>	<u>1,209,631</u>
Non-Current Assets:		
Long term investments (Note 5)	6,045,482	4,969,546
	<u>\$ 7,048,637</u>	<u>\$ 6,179,177</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 50,545	\$ 28,292
Due to Alberta Health Services (Note 7)	154,784	134,138
	<u>205,329</u>	<u>162,430</u>
Non-Current Liabilities		
Deferred Revenue (Note 12)	20,000	-
Loan Payable (Note 12)	40,000	-
	<u>60,000</u>	<u>-</u>
Fund Balances:		
General fund	3,232,105	3,504,433
Restricted fund	3,201,050	2,798,294
Accumulated remeasurement gains (losses)	350,153	(285,980)
	<u>6,783,308</u>	<u>6,016,747</u>
Commitment (Note 9)		
	<u>\$ 7,048,637</u>	<u>\$ 6,179,177</u>

  
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, 2021

	General Fund		Restricted Fund		Total	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
<b>Revenue:</b>						
Fundraising (Note 5)	\$ -	\$ -	\$ 187,882	\$ 139,244	\$ 187,882	\$ 139,244
Donations	-	-	84,154	895,901	841,154	895,901
Alberta Health Services reimbursements (Note 7)	60,000	101,250	-	-	60,000	101,250
Net investment income (Note 6)	204,970	317,502	-	-	204,970	317,502
	284,970	418,752	1,029,036	1,035,145	1,294,006	1,453,897
<b>Expenses:</b>						
Donation disbursements (Note 7)	-	-	554,030	387,546	554,030	387,546
Operating costs (Note 12)	537,298	479,922	72,250	64,528	609,548	544,450
	537,298	479,922	626,280	452,074	1,163,578	931,996
<b>Excess (deficiency) of revenue over expenses</b>	<b>(272,328)</b>	<b>(61,170)</b>	<b>402,756</b>	<b>583,071</b>	<b>130,428</b>	<b>521,901</b>
Fund balances, beginning of year	3,504,433	3,565,603	2,798,294	2,215,223	6,302,727	5,780,826
Fund balances, end of year	\$ 3,232,105	\$ 3,504,433	\$ 3,201,050	\$ 2,798,294	\$ 6,433,155	\$ 6,302,727

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, 2021

	2021	2020
	\$	\$
Cash provided by (used in):		
Operations		
Excess of revenue over expenses	\$ 130,428	\$ 521,901
Items not involving cash:		
Gain on disposal of investments	(27,542)	(103,816)
Change in non-cash operating working capital:		
Interest receivable	(2,517)	596
Accounts payable and accrued liabilities	22,253	8,370
Due to Alberta Health Services	20,646	13,240
Deferred Revenue	20,000	-
Cash generated from (used by) operating activities	163,268	440,291
Investing		
Net increase in investment cost	(412,261)	(217,906)
Financing		
Proceeds on loan payable	40,000	-
Increase (decrease) in cash	(208,993)	222,385
Cash and cash equivalents, beginning of year	1,198,168	975,783
Cash and cash equivalents, end of year	\$ 989,175	\$ 1,198,168

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, 2021

	2021	2020
	\$	\$
Accumulated remeasurement gains (losses), beginning of year	\$ (285,980)	\$ 329,869
Unrealized gains (losses) from investments recorded at fair value	1,001,060	(787,040)
Unrealized gains (losses) due to foreign exchange	(364,927)	171,191
Net remeasurement gains (losses) end of year	636,133	(615,849)
Accumulated remeasurement gains (losses) end of year	\$ 350,153	\$ (285,980)

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, 2021

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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.

On March 11, 2020, the Coronavirus COVID-19 outbreak ("COVID-19") was declared a pandemic by the World Health Organization. This has resulted in governments worldwide, including the Canadian and Alberta governments, enacting emergency measures to combat the spread of the virus. These measures include implementation of travel bans, self-imposed quarantine periods, closures of non-essential businesses, and physical distancing, which have caused material disruption to businesses globally and in Canada, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. Accordingly, economic uncertainties have arisen which could have a negative impact on the Foundation's revenue streams and results of operations.

The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Foundation's business, if any, is not known at this time. The Foundation continues to operate within the Provincial Government health guidelines. This has not had a significant impact on the Foundation's operations. However, given the uncertainty of the situation, there could be future impact, including potential decreases in revenue or the profitability of ongoing operations. The Foundation continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis. The Foundation continues to meet its contractual obligations within normal payment terms. An estimate of the financial effect of COVID-19 on the Foundation's operations is not practicable at this time.

## 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 2022, 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) PSG-8 – Purchased Intangibles

This section provides guidance on how to record intangibles. This section is effective for fiscal years beginning on or after April 1, 2023.

# MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements

For the year ended March 31, 2021

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### 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.

#### (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 measured 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.

# MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements

For the year ended March 31, 2021

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

### (c) Financial Instruments (continued)

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.

The uncertainties around the COVID-19 pandemic require the use of judgement and estimates which resulted in no material impact for the year ended March 31, 2021, however, the future impact of COVID-19 cannot be reasonably estimated at this time.

## 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.

	2021	2020
Cash on deposit	\$ 989,175	\$1,198,168
Total cash and cash equivalents	\$ 989,175	\$1,198,168

Included in cash on deposit is a bank account which pays 0.20% interest (2020 – 0.75%).

The entity also holds a Held for Business Visa investment account which bears interest at 1.55% (2020 – 2.39%) maturing in May 2021.

## MEDICINE HAT AND DISTRICT HEALTH FOUNDATION

Notes to the Financial Statements

For the year ended March 31, 2021

### 5. Long Term Investments

	2021	2020
Marketable securities:		
Fixed income, amortized cost	\$2,246,246	\$1,854,836
Equities, fair value	3,799,236	3,114,710
Total long-term investments	\$6,045,482	\$4,969,546

Fixed income investments earn interest at rates ranging from 0.50% to 5.85% (2020– 0.75% to 6.40%) and have maturity dates ranging from May 1, 2022 to December 1, 2051 (2020 – April 26, 2021 to December 1, 2051). 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.

### 6. Investment Income

Investment income consists of:

	2021	2020
Interest income	\$ 57,481	\$ 69,481
Dividend income	119,947	144,205
Gain (loss) on disposal of investments	27,542	103,816
Net investment income	\$ 204,970	\$ 317,502

### 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 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 \$60,000 (2020 - \$101,250).

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, 2021, advances outstanding and payable by the Foundation to Alberta Health Services was \$214,784 (March 31, 2020 - \$134,138).

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

Notes to the Financial Statements

For the year ended March 31, 2021

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### **8. Remuneration to Employees**

The net cost to the Foundation for remuneration of employees whose principal duties involved fundraising was \$273,261 (2020 - \$255,583).

### **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 has in the past provided an annual donation to the Foundation of the net earnings of the Gift Shop. In 2021 (and 2020), 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 2021 (and 2020). Currently, the Foundation and AHS are negotiating a new agreement for the operation of the gift shop including the related wage costs.

### **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.

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 and investments denominated in foreign currencies.

Foreign currency risk is managed by the fact that the investment policies limit non-Canadian equities. At March 31, 2021, investments in non-Canadian equities represented 51.32% (March 31, 2020 - 52.29%) of total portfolio investments.

### **11. Approval of Financial Statements**

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

### **12. Government Assistance**

The Foundation applied for the following government assistance as a result of the COVID-19 pandemic:

The Government of Canada created programs called the Temporary Wage Subsidy ("TWS") and the Canada Emergency Wage Subsidy ("CEWS") to provide wage assistance to entities who experience economic challenges resulting from the COVID-19 pandemic. During the year, the Foundation met the eligibility requirements and received \$29,890 (2020 - \$nil) for CEWS and \$6,026 (2020 - \$nil) for TWS. The entire amount has been recognized as a reduction of operating costs in the statement of operations.

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

Notes to the Financial Statements

For the year ended March 31, 2021

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### **12. Government Assistance (continued)**

During the year, the Foundation applied for and received a \$60,000 interest free loan under the Canada Emergency Business Account from Canadian Western Bank to assist with covering non-deferrable operating expenses. The \$20,000 forgivable portion of the loan has been included as deferred revenue and will be recognized as income when the stipulations have been fulfilled and the remaining \$40,000 has been included in loan payable.

At March 31, 2021, \$20,000 of the loan remains unforgiven. If the remaining \$40,000 of the loan is repaid on or before December 31, 2022, the forgivable amount will be forgiven at the time of repayment.