

Financial Statements of

**ALBERTA CHILDREN'S  
HOSPITAL FOUNDATION**

Year ended March 31, 2014



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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Alberta Children's Hospital Foundation

We have audited the accompanying financial statements of Alberta Children's Hospital Foundation, which comprise the statement of financial position as at March 31, 2014, the statements of operations and changes in fund balances 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 Alberta Children's Hospital Foundation as at March 31, 2014, 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.

A handwritten signature in black ink that reads 'KPMG LLP'.

Chartered Accountants

June 19, 2014  
Calgary, Canada

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

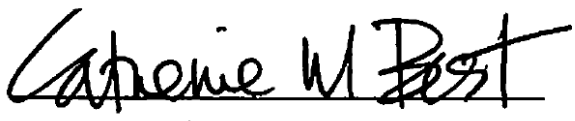
## Statement of Financial Position

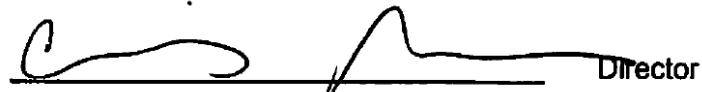
March 31, 2014  
(thousands of dollars)

	Operating Fund	Restricted Fund	Endowment Fund	Total	
				2014	2013
<b>Assets</b>					
Current assets:					
Cash	\$ 19,617	\$ -	\$ -	\$ 19,617	\$ 13,787
Accounts receivable and accrued interest	100	-	-	100	610
Prepaid expenses	171	77	-	248	240
	19,888	77	-	19,965	14,637
Investments (note 2)	40,770	9,411	104,299	154,480	130,677
Other assets (note 3)	121	-	-	121	110
Property and equipment (note 4)	42	-	-	42	94
	\$ 60,821	\$ 9,488	\$ 104,299	\$ 174,608	\$ 145,518
<b>Liabilities and Fund Balances</b>					
Current liabilities:					
Accounts payable and accrued liabilities (note 5)	\$ 997	\$ 1,257	\$ 28	\$ 2,282	\$ 2,763
Due to (from) other Funds	34,393	(25,832)	(8,561)	-	-
	35,390	(24,575)	(8,533)	2,282	2,763
Fund balances:					
Externally restricted (note 6)	-	34,063	68,162	102,225	88,807
Internally restricted (note 7)	25,431	-	44,670	70,101	53,948
	25,431	34,063	112,832	172,326	142,755
Commitments (note 9)					
	\$ 60,821	\$ 9,488	\$ 104,299	\$ 174,608	\$ 145,518

See accompanying notes to financial statements.

Approved by the Board:

  
Catherine M. Best Director

  
Director

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2014, with comparative information for 2013  
(thousands of dollars)

	Operating Fund	Restricted Fund	Endowment Fund	Total	
				2014	2013
<b>Revenue:</b>					
Fundraising	\$ 8,910	\$ 21,244	\$ 4,117	\$ 34,271	\$ 25,701
Investment and other income	7,756	-	4,498	12,254	4,911
	16,666	21,244	8,615	46,525	30,612
<b>Expenses:</b>					
Grants and hospital funding:					
Childhood cancer collaborative	-	3,399	-	3,399	5,836
Clinical	284	6,752	-	7,036	3,481
Education and other	-	420	59	479	614
Family centred care	-	2,276	-	2,276	1,607
Research	166	7,785	1,557	9,508	7,859
	450	20,632	1,616	22,698	19,397
Operating	5,971	517	66	6,554	6,069
Total expenses	6,421	21,149	1,682	29,252	25,466
Excess of revenue over expenses before unrealized capital gain	10,245	95	6,933	17,273	5,146
Change in unrealized gain	3,313	745	8,240	12,298	8,383
Excess of revenue over expenses	13,558	840	15,173	29,571	13,529
Fund balances, beginning of year	12,517	31,898	98,340	142,755	129,226
Interfund transfers (notes 6 and 7)	(644)	1,325	(681)	-	-
Fund balances, end of year	\$ 25,431	\$ 34,063	\$ 112,832	\$ 172,326	\$ 142,755

See accompanying notes to financial statements.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013  
(thousands of dollars)

	2014	2013
Cash from (used in) operating activities:		
Excess of revenue over expenses	\$ 29,571	\$ 13,529
Adjustments to reconcile to net cash from operating activities:		
Endowment contributions	(4,117)	(553)
Amortization of property and equipment	52	43
Change in unrealized gain	(12,298)	(8,383)
Gain on sale of investments (note 2)	(7,806)	(774)
	5,402	3,862
Changes in non-cash working capital:		
Accounts receivable and accrued interest	510	(522)
Prepaid expenses	(8)	8
Accounts payable and accrued liabilities	(481)	(479)
	5,423	2,869
Cash from (used in) investing activities:		
Purchase of investments (note 2)	(41,140)	(28,157)
Proceeds on sale of investments (note 2)	37,430	13,767
Purchase of property and equipment	-	(12)
	(3,710)	(14,402)
Cash from financing activities:		
Endowment contributions	4,117	553
Net increase (decrease) in cash	5,830	(10,980)
Cash, beginning of year	13,787	24,767
Cash, end of year	\$ 19,617	\$ 13,787

See accompanying notes to financial statements.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2014  
(thousands of dollars)

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## General:

The Alberta Children's Hospital Foundation (the "Foundation") was incorporated under The Societies Act of the Province of Alberta to support excellence in pediatric health care, services, facilities, education and research in Southern Alberta primarily at the Alberta Children's Hospital.

The Foundation is a registered charitable organization and is income tax exempt under Section 149 of the Income Tax Act (Canada) subject to certain disbursement tests.

## 1. Significant accounting policies:

### (a) Fund accounting:

Activities of the Foundation are segregated in the following funds:

- (i) The Operating Fund reports the Foundation's annual fundraising and administrative activities and reports unrestricted resources. This fund uses the deferral method of accounting for contributions.
- (ii) The Restricted Fund reports amounts which are restricted externally by donors in support of child health programs, equipment, research and education.
- (iii) The Endowment Fund reports amounts which are restricted, either internally or externally, for endowment. The externally restricted fund balance represents contributions endowed by donors. Amounts specifically identified as endowments by donors are included in revenue and expenses of the Endowment Fund, and investment income earned is allocated in accordance with the Foundation's endowment policy, which is agreed to by the donors at the time the contribution is endowed. Amounts which are internally restricted are recorded in the Endowment Fund by way of interfund transfers. Internally restricted endowment funds are intended to exist in perpetuity with the annual investment return utilized towards the Foundation's annual funding commitments.

A statement of cash flows is not presented on a separate fund basis as this information is readily apparent from the reporting of separate funds' statements of financial position and operations and changes in fund balances.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 2

Year ended March 31, 2014  
(thousands of dollars)

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## 1. Significant accounting policies (continued):

### (b) 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. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the 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 financial costs, which are amortized using the straight-line method.

Financial assets with indicators of impairment are assessed for impairment on an annual basis at the end of the fiscal year. 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.

### (c) Foreign currency:

All foreign currency denominated investments are translated into Canadian dollars at the rate of exchange in effect on the date of the Statement of Financial Position. Investment income from these securities is translated into Canadian dollars at the rate of exchange in effect when realized. Unrealized gains and losses on foreign currency denominated investments are translated into Canadian dollars at the rate of exchange in effect on the date of the Statement of Financial Position.

### (d) Property and equipment:

Property and equipment are recorded at cost with amortization provided on a straight-line basis at 25% per annum.



# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 3

Year ended March 31, 2014  
(thousands of dollars)

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## 1. Significant accounting policies (continued):

### (e) Revenue recognition:

The Foundation uses the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All restricted investment income earned is recognized as revenue of the appropriate restricted fund in which it is earned. All unrestricted investment income earned is recognized as revenue in the Operating Fund.

Pledges are not booked as revenue until the donation has been received by the Foundation.

### (f) Donations of materials and services:

Contributed materials and services that would otherwise be paid for by the Foundation are recorded at fair value when provided.

The work of the Foundation is dependent on the voluntary service of many individuals. As such services are not normally purchased by the Foundation, and because of the difficulty of determining their fair value, such donated services are not recognized in these financial statements.

### (g) Due to (from) other Funds:

At certain points in time, the Foundation may have amounts owed between certain Funds. These interfund balances are non-interest bearing and have no fixed terms or expectation of repayment.

### (h) Use of estimates:

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles 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 dates of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, valuation allowances for accounts receivable, accrued liabilities and valuation of investments. Actual results could differ from those estimates.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 4

Year ended March 31, 2014  
(thousands of dollars)

## 2. Investments:

The Foundation's investments are professionally managed, with fixed income and foreign equities, other than U.S. equities, managed as part of a pooled fund, and Canadian and U.S. equities managed on a segregated basis. The Foundation's Statement of Investment Policies and Procedures ensures its investment portfolio is managed with a primary emphasis on preservation and security of capital and a secondary emphasis on yield.

	Cash and short-term investments	Equities	Fixed income	2014 Total	2013 Total
Balance, beginning of year	\$ 750	\$ 80,170	\$ 49,757	\$ 130,677	\$ 107,143
Sale of investments	(8,760)	(28,528)	(142)	(37,430)	(13,767)
Purchase of investments	8,347	18,787	14,006	41,140	28,157
Realized gain on sale	-	7,797	9	7,806	774
Change in unrealized gain (loss)	(8)	13,417	(1,122)	12,287	8,370
Balance, end of year	\$ 329	\$ 91,643	\$ 62,508	\$ 154,480	\$ 130,677

Cash included in investments is held in short-term money market instruments and consequently was subject to recurring reinvestment resulting in \$8,347 of purchases and \$8,760 of sales. The gain (loss) on sales of short-term money market instruments is due to foreign exchange.

	2014	2013
Opening accumulated unrealized gains (losses)	\$ 16,725	\$ 8,355
Realized gains recognized in investment income	(7,806)	(774)
Unrealized gains in the year	20,093	9,144
Ending accumulated unrealized gains	\$ 29,012	\$ 16,725

As at March 31	2014		2013	
	Cost	Fair value	Cost	Fair value
Fixed income	\$ 59,314	\$ 62,508	\$ 45,441	\$ 49,757
Canadian equities	25,487	37,519	27,097	33,640
Foreign equities	40,342	54,124	40,677	46,530
Cash and short-term investments	325	329	737	750
	\$ 125,468	\$ 154,480	\$ 113,952	\$ 130,677

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 5

Year ended March 31, 2014  
(thousands of dollars)

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## 2. Investments (continued):

### (a) Foreign currency risk:

Foreign currency exposure arises from the Foundation's holdings of foreign equity securities. At March 31, 2014, total foreign equity holdings were 35.04% (2013 - 35.6%) of the Foundation's investments on a market-value basis. The Foundation's overall currency positions are monitored on a daily basis by the portfolio manager. In the year, the Foundation incurred foreign currency gains of \$420 (losses in 2013 - \$76).

### (b) Credit risk:

Credit risk arises from the potential for an investee to fail or for a counter-party to default on its contractual obligations to the Foundation. Credit risk is managed by the Foundation's investment managers in accordance with the Foundation's Statement of Investment Policies and Procedures established by the Board of Directors.

### (c) Interest rate risk:

Interest rate risk arises from the Foundation's holdings of fixed income securities. As interest rates fluctuate, the fair value of these securities will be impacted.

### (d) Liquidity risk:

The Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. The fixed income securities yield interest between 1.25% and 11.80% and have maturities ranging from 2014 to 2049.

## 3. Other assets:

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	2014	2013
Cash surrender value of donated life insurance policies	\$ 121	\$ 110

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Donated life insurance policies are recorded at their cash surrender value; face value of the policies is \$112 (2013 - \$112). Changes in cash surrender value are reflected in the Statement of Operations and Changes in Fund Balances.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 6

Year ended March 31, 2014  
(thousands of dollars)

## 4. Property and equipment:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Office equipment	\$ 20	\$ 11	\$ 9	\$ 13
Computer hardware	169	141	28	62
Computer software	85	80	5	19
	\$ 274	\$ 232	\$ 42	\$ 94

## 5. Accounts payable and accrued liabilities:

Accounts payable and accrued liabilities do not include any government payments payable for goods and services tax (GST) and payroll related remittances. The Foundation files an annual GST return whereby 50% of all GST paid during the year is claimed and a refund issued back to the Foundation. Payroll related remittances are submitted by Alberta Health Services and are filed on a consolidated basis for all individuals in the Alberta Health Services payroll system.

## 6. Externally restricted net assets and interfund transfers:

During fiscal 2014, interfund transfers of externally restricted net assets occurred as a result of:

- \$2,601 of funds were transferred from the Operating Fund to the Restricted Fund to bridge donor funding;
- \$1,878 of funds previously used to bridge donor funding were returned to the Operating Fund from the Restricted Fund;
- \$602 of investment income received in the donor restricted endowments was utilized to meet the funding commitments of the Restricted Fund with the approval of the donors;
- \$103 of investment income received in the donor restricted endowments was utilized to meet the funding commitments of the Operating Fund with the approval of the donors;
- \$nil of funds received in the Restricted Fund were endowed by donors in 2014 and transferred to the Endowment Fund; and
- \$24 of funds received in the Operating Fund were transferred to the Endowment Fund to meet the Foundation's endowment commitments.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 7

Year ended March 31, 2014  
(thousands of dollars)

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## **7. Internally restricted net assets and interfund transfers:**

(a) The Foundation's funding commitments are financed partly out of the investment income earned in any given year. Investment income is influenced by short-term market fluctuations and the timing on the realization of capital gains or losses upon the sale of investments. In order to ensure that the Foundation is able to meet its funding commitments, the Board of Directors has internally restricted funds that are to be utilized in a year when investment income is negatively impacted by market fluctuations and the timing of the sale of investments.

During 2014, \$nil (2013 - \$12) of funds utilized in previous years were restored.

(b) At the end of each fiscal year, the Board of Directors may, at its discretion, internally restrict any excess revenue over expenses in the Operating Fund to support the projects and activities of the Endowment, Restricted or Operating Funds. In 2014, \$10,245 (2013 - \$6,114) was placed into internally restricted funds. Internally restricted funds are not available for unrestricted purposes without prior approval of the Board of Directors.

## **8. Donations in kind:**

During the year, the Foundation received gifts in kind of goods and services totaling \$936 (2013 - \$991). Although these donations are an integral part of the Foundation's fundraising activities, the amounts related thereto are not reflected in the Statement of Operations as these goods and services would not otherwise be paid for by the Foundation. The Foundation also received \$84 (2013 - \$95) of donated goods and services it would otherwise have paid for, and accordingly, this amount is included in fundraising revenue in the Statement of Operations.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 8

Year ended March 31, 2014  
(thousands of dollars)

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## 9. Commitments:

Budgeted commitments of funding to the Foundation's Child Health Funding Partners (primarily Alberta Health Services and the University of Calgary) include support for the following areas:

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Childhood cancer collaborative	\$ 6,400
Clinical	11,925
Education and other	2,303
Family centred care	1,496
Research	13,435
	<hr/>
	\$ 35,559

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The above Research funding comprises:

- An annual commitment of \$2,500 in support of the Alberta Children's Hospital Research Institute for Child and Maternal Health until 2017; and
- \$1,519 available to the University of Calgary for approved chairs and professorships contingent on successful recruitment to the positions.

## 10. Related parties:

The accounts payable and accrued liabilities due to Alberta Health Services and the University of Calgary at year end are \$1,391 (2013 - \$2,227) and \$687 (2013 - \$301), respectively. The Foundation leases office space at the Alberta Children's Hospital from Alberta Health Services for a nominal amount, which represents the exchange amount as agreed to by the parties. Alberta Health Services and the University of Calgary are funding partners with the Foundation and work together to fund the Alberta Children's Hospital.

During the year the Foundation paid, in the ordinary course of business, \$1 (2013 - \$2) to a legal firm of which a member of the Foundation's Board of Directors is a partner. No portion of the fees paid to the legal firm was in relation to work performed by the Board member. This amount has been included in operating expenses.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 9

Year ended March 31, 2014  
(thousands of dollars)

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## 10. Related parties (continued):

During the year the Foundation incurred, in the ordinary course of business, \$14 (2013 - \$12) associated with the commissions charged for the sale of donated securities through an investment firm of which a member of the Foundation's Board of Directors is the President and CEO. The investment firm donates a portion of the commission fees as a donation in kind to the Foundation. The full amount of the commissions at fair market value has been included in operating expenses with the donated portion of the fees reported as a donations in kind amount included in fundraising revenue. No portion of the fees paid for commissions was in relation to work performed by the Board member.

During the year, the Foundation received donations and sponsorships in the ordinary course of business in the amount of \$1,407 (2013 - \$1,276) from the Foundation's Board of Directors, spouses, their related companies and senior management employees.

## 11. Financial risks and concentration of risk:

Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by the Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation believes that it is not exposed to significant interest rate, market, credit, liquidity or cash flow risk arising from its financial instruments other than its investment portfolio (see note 2).

## 12. Contingent liabilities:

During the course of the year, the Foundation received donations in the amount of \$1,000 (2013 - \$nil) with specified repayment terms if the conditions are not met. The conditions are external to the Foundation. In the event the conditions are not met, repayment of the donations plus interest calculated at 4% per annum is required.

# ALBERTA CHILDREN'S HOSPITAL FOUNDATION

Notes to Financial Statements, page 10

Year ended March 31, 2014  
(thousands of dollars)

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## **13. Fundraising expenses and other:**

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Foundation discloses the expenses incurred for the purposes of soliciting contributions were \$3,720 (2013 - \$3,346). The total amount paid as remuneration to employees of the Foundation whose principal duties involve fundraising was \$1,370 (2013 - \$1,139).

No single disposition of contributions equaled or exceeded 10% of the gross contributions received in either fiscal 2014 or 2013.