

Financial Statements

Alberta Children's Hospital Foundation

March 31, 2023

Independent auditor's report

To the Members of
Alberta Children's Hospital Foundation

Opinion

We have audited the financial statements of **Alberta Children's Hospital Foundation** [the "Foundation"], which comprise the statement of financial position as at March 31, 2023, and the statement of operations and changes in fund balances and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 *Auditor's responsibilities for the audit of the financial statements* section of our 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 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.

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.

Auditor's 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 auditor's 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 these 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 auditor's 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 auditor's 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 represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

Calgary, Canada
June 22, 2023

Ernst & Young LLP

Chartered Professional Accountants



Alberta Children's Hospital Foundation

STATEMENT OF FINANCIAL POSITION

(thousands of dollars)

As at March 31

	Total	
	2023	2022
	\$	\$
ASSETS		
Current		
Cash	25,238	26,862
Accounts receivable and accrued investment income	301	181
Prepaid expenses	261	312
Total current assets	25,800	27,355
Investments <i>[note 3]</i>	270,793	273,057
Other assets <i>[note 4]</i>	41	39
Property and equipment <i>[note 5]</i>	44	13
	296,678	300,464
LIABILITIES AND FUND BALANCES		
Current		
Accounts payable and accrued liabilities <i>[note 15]</i>	2,290	611
Deferred revenue <i>[note 6]</i>	—	407
Total current liabilities	2,290	1,018
Commitments <i>[note 10]</i>		
Fund balances		
Operating <i>[notes 7 and 8]</i>	60,134	61,836
Restricted <i>[notes 7 and 8]</i>	110,201	113,856
Endowments – externally restricted <i>[note 3]</i>	79,383	79,084
Endowments – internally restricted <i>[note 3]</i>	44,670	44,670
	294,388	299,446
	296,678	300,464

See accompanying notes

On behalf of the Board:



Darlene Haslam,
Board Chair



Jeff Boyd,
Finance & Audit Committee Chair

Alberta Children's Hospital Foundation

**STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCES**

(thousands of dollars)

Year ended March 31

	Operating Fund \$	Restricted Fund \$	Endowment Fund \$	Total	
				2023 \$	2022 \$
REVENUE					
Fundraising <i>[notes 9 and 12]</i>	10,616	40,054	299	50,969	43,453
Investment and other income <i>[note 3]</i>	7,281	4,297	—	11,578	15,860
	17,897	44,351	299	62,547	59,313
EXPENSES					
Child health funding <i>[note 15]</i>					
Clinical	—	21,684	—	21,684	13,731
Education and other	—	1,963	—	1,963	816
Family centred care	—	2,958	—	2,958	2,686
Research	—	18,777	—	18,777	16,269
	—	45,382	—	45,382	33,502
Operating <i>[notes 9, 12, 13, 14 and 15]</i>	7,648	1,823	—	9,471	7,568
Total expenses	7,648	47,205	—	54,853	41,070
Excess (deficiency) of revenue over expenses before unrealized loss	10,249	(2,854)	299	7,694	18,243
Unrealized loss <i>[notes 3 and 4]</i>	(7,551)	(5,201)	—	(12,752)	(7,903)
Excess (deficiency) of revenue over expenses	2,698	(8,055)	299	(5,058)	10,340
Fund balances, beginning of year	61,836	113,856	123,754	299,446	289,106
Interfund transfers <i>[note 7]</i>	(4,400)	4,400	—	—	—
Fund balances, end of year	60,134	110,201	124,053	294,388	299,446

See accompanying notes

Alberta Children's Hospital Foundation

STATEMENT OF CASH FLOWS

(thousands of dollars)

Year ended March 31

	2023	2022
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	(5,058)	10,340
Adjustments to reconcile net cash from (used in) operating activities		
Endowment contributions	(299)	(445)
Amortization of property and equipment	16	17
Unrealized loss	12,752	7,903
Realized gain on sale of investments	(3,650)	(7,095)
	<u>3,761</u>	<u>10,720</u>
Changes in non-cash working capital		
Accounts receivable and accrued investment income	(120)	(45)
Prepaid expenses	51	(155)
Accounts payable and accrued liabilities	1,679	156
Deferred revenue	(407)	371
Cash provided by operating activities	<u>4,964</u>	<u>11,047</u>
INVESTING ACTIVITIES		
Purchase of investments	(24,269)	(44,279)
Proceeds on sale of investments	17,429	20,559
Purchase of property and equipment	(47)	—
Cash used in investing activities	<u>(6,887)</u>	<u>(23,720)</u>
FINANCING ACTIVITIES		
Endowment contributions	299	445
Cash provided by financing activities	<u>299</u>	<u>445</u>
Net decrease in cash during the year	(1,624)	(12,228)
Cash, beginning of year	<u>26,862</u>	<u>39,090</u>
Cash, end of year	<u>25,238</u>	<u>26,862</u>

See accompanying notes

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

1. GENERAL

The Alberta Children's Hospital Foundation [the "Foundation"] was incorporated under the *Societies Act* of the Province of Alberta to inspire our community to invest in excellence in child health, research and family centred care at the Alberta Children's Hospital and for other child health needs primarily in Southern Alberta.

The Foundation is a registered charitable organization and is income tax exempt under Section 149 of the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Part III of the CPA Canada Accounting Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada ["GAAP"] and include the significant accounting policies described hereafter.

[a] Fund accounting

Activities of the Foundation are segregated into the following funds:

- [i] The operating fund reports unrestricted contributions as well as the majority of the Foundation's fundraising, administrative, and general expenses incurred in the course of conducting and managing the Foundation's day to day business.

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 restricted, endowment or operating funds. Internally restricted funds are not available for unrestricted purposes without prior approval of the Board of Directors.

- [ii] The restricted fund reports contributions that are externally restricted by donors in support of child health programs, equipment, research, and education priorities. Certain expenses directly related to these priorities and incurred as part of honouring the donor's restrictions are recorded as expenses of the restricted fund. Investment income earned on externally restricted or endowed fund balances and a portion of the related investment management and administration fees are recorded in the restricted fund to the extent that the investment income has also been restricted by the donor.

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[iii] The endowment fund reports amounts which are restricted, either internally or externally, for endowment and intended to be held permanently.

The externally restricted endowment fund balance represents contributions endowed by donors. Contributions specifically identified as endowments by donors are included in revenue 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.

Internally restricted endowment funds are initially recorded in the endowment fund by way of interfund transfers, and investment income earned is recorded in the operating fund. Internally restricted endowment funds are intended to exist in perpetuity with the annual investment return utilized towards the Foundation's annual operating and funding commitments.

In accordance with the Foundation's endowment policy, a portion of the income earned by the endowments may be capitalized (added) to the endowment fund in a future period to preserve the real purchasing power of principal and income.

[b] Financial instruments

Financial instruments are recorded at fair value on initial recognition. Purchases of equity and fixed income securities quoted on an active market are initially recorded at trade date at fair market value. Freestanding derivative instruments that are not in a qualifying hedging relationship and fixed income and equity securities that are quoted in an active market are subsequently measured at fair value resulting in an unrealized gain or loss recognized in the Statement of Operations and Changes in Fund Balances. 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, which are amortized using the straight-line method over the term of the instrument.

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[b] Financial instruments (continued)

Financial assets carried at cost and amortized cost 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 and the related unrealized gains and losses 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.

[d] Property and equipment

Property and equipment are recorded at cost less accumulated amortization, with amortization provided on a straight-line basis over four years.

[e] Revenue recognition

The Foundation uses the restricted fund method of accounting for contributions. All contributions are recorded in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Revenue from special events is recognized in the later of the fiscal year in which the event is concluded or the revenue is received.

Unrestricted contributions are recognized as revenue in the operating fund.

Restricted contributions are recognized as revenue in the restricted fund.

Endowment contributions are recognized as revenue in the endowment fund.

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[e] Revenue recognition (continued)

Investment income includes dividend and interest income and realized gains or losses on the sale of investments net of management and custodial fees. Interest income is recognized when earned, dividend income is recognized when declared and realized gains and losses are recognized on the trade settlement date as the difference between original cost and proceeds.

Investment income earned on externally restricted endowment fund resources is allocated as restricted or unrestricted revenue of the appropriate fund based on the designated purpose of the endowment. Income earned on internally restricted endowment fund resources is allocated as unrestricted revenue in the operating fund. Investment income externally restricted for reinvestment is allocated as revenue of the endowment fund.

Pledges are not recorded 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 received.

The work of the Foundation is dependent on the voluntary service of many individuals. As these 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] Multiemployer pension plan contributions

The Foundation's eligible employees participate in the Local Authority Pension Plan, a multiemployer pension plan. This multiemployer defined benefit pension plan is accounted for consistent with defined contribution plans since the Foundation has insufficient information to apply defined benefit plan accounting. Contributions to this multiemployer pension plan are expensed on an accrual basis and included within operating expenses.

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

3. INVESTMENTS

Investments consist of the following:

	2023		2022	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Fixed income	103,857	96,100	100,828	97,893
Canadian equities	44,688	59,950	40,556	61,825
Foreign equities	75,704	107,407	74,815	108,598
Cash and short-term investments	7,285	7,336	4,775	4,741
	231,534	270,793	220,974	273,057

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

Cash recorded within investments comprises cash on deposit with the investment custodian and cash held in short-term money market instruments.

Investment income is recorded net of investment manager and custodial fees of \$710 [2022 – \$722].

Certain investments are restricted for endowments as follows:

	2023 \$	2022 \$
Endowments – externally restricted		
Investment income is restricted for specific purposes	74,240	73,941
Investment income is unrestricted	5,143	5,143
Endowments – internally restricted		
Investment income is unrestricted	44,670	44,670
	124,053	123,754

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

4. OTHER ASSETS

	2023	2022
	\$	\$
Cash surrender value of donated life insurance policies	41	39

Donated life insurance policies are recorded at their cash surrender value. The face value of the policies is \$100 [2022 – \$100]. Changes in the cash surrender value are reflected in the statement of operations and changes in fund balances.

5. PROPERTY AND EQUIPMENT

	2023		2022	
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Office equipment	149	140	9	6
Computer hardware	488	453	35	5
Computer software	200	200	-	2
	837	793	44	13

6. DEFERRED REVENUE

As at March 31, 2023, no revenue has been received for events that are due to occur or conclude in fiscal 2024. [2022 – \$407]

7. INTERFUND TRANSFERS

During the year, interfund transfers occurred as follows:

- \$11,125 of funds were transferred from the operating fund to the restricted fund, including \$275 of internally restricted funds, to cover unfunded child health funding expenditures; and
- \$6,725 of funds previously used to bridge donor contributions for child health funding were returned to the operating fund from the restricted fund.

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
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8. INTERNALLY RESTRICTED NET ASSETS

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. During the year, the Foundation's Board of Directors did not restrict any additional surplus investment income [2022 – \$2,500] within the operating fund. Additionally, \$275 [2022 – \$nil] of previously internally restricted income was transferred to the restricted fund in conjunction with its intended purpose.

The cumulative amount of internally restricted net assets is \$4,476 [2022 – \$4,751].

9. DONATIONS IN KIND

During the year, the Foundation received gifts in kind of goods and services totaling \$3,241 [2022 – \$965]. 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 and changes in fund balances as these goods and services would not otherwise be paid for by the Foundation. The Foundation also received \$88 [2022 – \$23] of donated goods and services it would otherwise have paid for, and accordingly, this amount is included in both fundraising revenue and operating expenses in the statement of operations and changes in fund balances.

10. COMMITMENTS

Budgeted commitments of funding for the upcoming fiscal year to the Foundation's child health funding partners [primarily Alberta Health Services and the University of Calgary] include support for the following areas:

	\$
Clinical	13,239
Education and other	1,300
Family centred care	3,220
Research	22,767
	<u>40,526</u>

In addition to the above, the Foundation has also committed \$5,294 to fund capital projects over the next 1 to 2 years.

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

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(thousands of dollars)

11. FINANCIAL INSTRUMENTS

[a] Foreign currency risk

The Foundation's investment values are exposed to fair value risks from foreign currency exposure related to its holdings of foreign equity securities. As at March 31, 2023, total foreign equity holdings were 39.66% [2022 – 39.77%] of the Foundation's investments on a fair value basis. The Foundation is exposed to cash flow risk related to its investment income from the interest or dividends received from these foreign equity securities. The Foundation's overall currency positions are monitored on a daily basis by the portfolio managers.

[b] Credit risk

Credit risk arises from the potential for an investee to fail or for a counterparty 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 0.25% and 9.90% and have maturities ranging from 2023 to 2071.

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

12. RELATED PARTY TRANSACTIONS

All related party transactions are recorded at the agreed upon exchange amount.

During the year the Foundation incurred, in the ordinary course of business, \$14 [2022 – \$27] 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 Chairman 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 donation 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 \$340 [2022 – \$233] from the Foundation's Board of Directors, spouses, their related companies and management employees.

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, which were \$5,942 [2022 – \$4,277]. This amount includes total remuneration paid to employees of the Foundation whose principal duties involve fundraising of \$2,166 [2022 – \$1,944]. These amounts are included as part of the Foundation's operating expenses.

No single disposition of contributions equaled or exceeded 10% of the gross contributions received during the year [2022 – \$nil].

Alberta Children's Hospital Foundation

NOTES TO FINANCIAL STATEMENTS

March 31, 2023
(thousands of dollars)

14. MULTIEMPLOYER PENSION PLAN VALUATION

The most recent valuation for financial reporting purposes completed by the Local Authority Pension Plan as at December 31, 2021 disclosed net assets available for benefits of \$61,715 with pension obligations of \$49,793 resulting in a surplus of \$11,922. The plan had a total of 281,764 members as of that date.

During the year ended March 31, 2023, the Foundation contributed \$436 [2022 – \$423] to the plan. These amounts are included in operating expenses. The Foundation has 48 [2022 – 46] contributing members in the plan. Contribution requirements for the Foundation are as follows:

	<u>2023</u>	<u>2022</u>
Employer		
Pensionable earnings up to the year's maximum pensionable earnings	8.45%	8.45%
Pensionable earnings over the year's maximum pensionable earnings	12.23%	12.80%
Employee		
Pensionable earnings up to the year's maximum pensionable earnings	7.45%	7.45%
Pensionable earnings over the year's maximum pensionable earnings	11.23%	11.80%

15. TRANSACTIONS WITH FUNDING PARTNERS

Alberta Health Services and the University of Calgary are funding partners with the Foundation and work together to fund child health needs within Southern Alberta.

During the year the Foundation paid child health funding and operating expenses, in the ordinary course of business, to Alberta Health Services in the amount of \$27,101 [2022 – \$19,691]. This amount includes unpaid balances recorded in accounts payable and accrued liabilities of \$1,004 [2022 – \$nil]. In addition, Alberta Health Services provides the Foundation with office space at the Alberta Children's Hospital at no charge.

During the year, the Foundation paid child health funding in the ordinary course of business to the University of Calgary in the amount of \$17,753 [2022 – \$12,699]. This amount includes unpaid balances recorded in accounts payable and accrued liabilities of \$622 [2022 – \$nil].