

Caritas Hospitals Foundation

Combined Financial Statements
March 31, 2015



September 30, 2015

Independent Auditor's Report

**To the Trustees of
Misericordia Hospital Foundation and
The General Hospital (Grey Nuns) of
Edmonton Hospital Foundation (collectively, the Caritas Hospitals Foundation)**

We have audited the accompanying combined financial statements of the Caritas Hospitals Foundation, which comprise the combined statement of financial position as at March 31, 2015 and the combined statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the combined financial statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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Basis for qualified opinion

In common with many not-for-profit organizations, the Caritas Hospitals Foundation derives revenues from donations and other fundraising projects, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Caritas Hospitals Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other fundraising projects revenue, excess (deficiency) of revenue over expenses, and cash flows from operating activities for the years ended March 31, 2015 and March 31, 2014, current assets as at March 31, 2015 and March 31, 2014 and at the beginning and end of the years ended March 31, 2015 and March 31, 2014. Our audit opinion on the financial statements for the year ended March 31, 2014 was modified accordingly because of the possible effects of this limitation in scope.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the combined financial statements present fairly, in all material respects, the financial position of the Caritas Hospitals Foundation as at March 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Caritas Hospitals Foundation
Combined Statement of Financial Position
As at March 31, 2015

	2015 \$	2014 \$
Assets		
Current assets		
Cash and cash equivalent (note 3)	3,267,028	4,208,681
Accounts receivable (note 4)	260,630	260,402
Inventories	35,118	37,612
Prepaid expenses	165,491	152,917
	<u>3,728,267</u>	<u>4,659,612</u>
Insurance policies (note 4)	120,851	117,464
Investments (note 5)	<u>35,232,068</u>	<u>29,340,072</u>
	<u>39,081,186</u>	<u>34,117,148</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	131,191	101,324
Deferred revenue	46,290	66,700
Due to Covenant Health (note 7)	2,471,640	2,087,613
Grants payable (note 8)	4,679,950	-
Loan payable (note 9)	45,418	41,915
Current portion due to The Edmonton Chamber of Commerce (note 10)	43,902	-
	<u>7,418,391</u>	<u>2,297,552</u>
Due to The Edmonton Chamber of Commerce (note 10)	<u>-</u>	<u>43,902</u>
	<u>7,418,391</u>	<u>2,341,454</u>
Net Assets		
Donor restricted (note 11)	8,407,961	10,695,502
Unrestricted	3,787,526	29,778
Donor endowment	8,235,467	7,797,147
General endowment	<u>11,231,841</u>	<u>13,253,267</u>
	<u>31,662,795</u>	<u>31,775,694</u>
	<u>39,081,186</u>	<u>34,117,148</u>

Commitment (note 12)

Approved by the Board of Trustees

 Trustee

 - Trustee

The accompanying notes are an integral part of these combined financial statements.

Caritas Hospitals Foundation

Combined Statement of Operations and Changes in Net Assets

For the year ended March 31, 2015

	Donor Restricted Funds \$	Unrestricted Funds \$	Donor Endowment Funds \$	General Endowment Funds \$	Total 2015 \$	Total 2014 \$
Revenue						
Home and split lotteries	5,159,159	-	-	-	5,159,159	5,280,868
Charitable donations	1,438,827	281,231	960	-	1,721,018	1,588,514
Grants from Associates of Caritas (note 13)	200,000	-	-	-	200,000	730,000
Other fundraising projects (schedule 1)	498,463	27	-	-	498,490	398,967
Grants	9,576	43,408	6,274	-	59,258	41,654
Other revenue	-	4,410	-	-	4,410	885
Investment income (note 5)	451,128	2,157,878	421,709	370,507	3,401,222	3,136,282
Administrative support (note 7)	-	231,500	-	-	231,500	190,000
	<u>7,757,153</u>	<u>2,718,454</u>	<u>428,943</u>	<u>370,507</u>	<u>11,275,057</u>	<u>11,367,170</u>
Expenses						
Home and split lotteries	4,691,751	89,957	-	-	4,781,708	4,743,369
Grants to Covenant Health	5,122,615	-	-	-	5,122,615	2,939,788
Charitable donations – direct costs	11,534	192,947	-	-	204,481	238,542
Other fundraising projects (schedule 1)	161,989	2,327	-	-	164,316	134,059
Grants	9,439	34,343	-	-	43,782	-
Administration	32,721	737,385	5,268	64,180	839,554	683,252
Administrative support (note 7)	-	231,500	-	-	231,500	190,000
Amortization	-	-	-	-	-	50,000
Loss on write off of capital assets	-	-	-	-	-	100,000
	<u>10,030,049</u>	<u>1,288,459</u>	<u>5,268</u>	<u>64,180</u>	<u>11,387,956</u>	<u>9,079,010</u>
Excess (deficiency) of revenue over expenses	(2,272,896)	1,429,995	423,675	306,327	(112,899)	2,288,160
Net assets – Beginning of year	10,695,502	29,778	7,797,147	13,253,267	31,775,694	29,487,534
Interfund transfer (note 14)	(14,645)	2,327,753	14,645	(2,327,753)	-	-
Net assets – End of year	<u>8,407,961</u>	<u>3,787,526</u>	<u>8,235,467</u>	<u>11,231,841</u>	<u>31,662,795</u>	<u>31,775,694</u>

The accompanying notes are an integral part of these combined financial statements.

Caritas Hospitals Foundation

Combined Statement of Cash Flows

For the year ended March 31, 2015

	2015 \$	2014 \$
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses	(112,899)	2,288,160
Items not affecting cash		
Change in fair value of investments	(891,561)	(1,829,042)
Amortization of capital assets	-	50,000
Loss on write off of capital assets	-	100,000
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	(1,004,460)	609,118
Net change in non-cash working capital items		
Accounts receivable	(228)	295,022
Inventories	2,494	13,863
Prepaid expenses	(12,574)	(143,791)
Insurance policies	(3,387)	-
Accounts payable and accrued liabilities	29,867	9,298
Deferred revenue	(20,410)	57,730
Due to Covenant Health	384,027	848,121
Grants payable	4,679,950	-
	<hr/>	<hr/>
	4,055,279	1,689,361
Investing activities		
Purchase of investments - net	(5,000,435)	(1,280,242)
Repayment of debt	-	(100,000)
	<hr/>	<hr/>
	(5,000,435)	(1,380,242)
Financing activities		
Loan proceeds	3,503	-
	<hr/>	<hr/>
Increase (decrease) in cash and cash equivalent	(941,653)	309,119
Cash and cash equivalent – Beginning of year	4,208,681	3,899,562
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Cash and cash equivalent – End of year	3,267,028	4,208,681
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The accompanying notes are an integral part of these combined financial statements.

Caritas Hospitals Foundation

Notes to Combined Financial Statements

March 31, 2015

1 Purpose of the organization

Caritas Hospitals Foundation (the Foundation), is comprised of The General Hospital (Grey Nuns) of Edmonton Hospital Foundation, incorporated under The General Hospital (Grey Nuns) of Edmonton Hospital Act Chapter 99, April 7, 1954, and the Misericordia Hospital Foundation, incorporated under the Misericordia Hospital Act Chapter 95, April 11, 1967.

The Foundation is a registered charitable organization, which functions as the official fundraising arm of the Grey Nuns Community Hospital, Misericordia Community Hospital, and the Edmonton General Continuing Care Centre. These three facilities are included in the operations of Covenant Health. Covenant Health is an operator of voluntary health facilities and programs in the Province of Alberta.

The Foundation is governed by an appointed Board of Trustees. Its principal purpose is to receive gifts and raise funds to provide donations to the Grey Nuns Community Hospital, Misericordia Community Hospital, and the Edmonton General Continuing Care Centre. The Foundation supports capital equipment, programs, projects and services related to acute and continuing care, which go beyond publicly funded health care programs and services. Donations to Covenant Health must support the values of Covenant Health, centres of excellence and innovation.

The Foundation is exempt from payment of income tax. Under the terms of the Income Tax Act, the Foundation is required to annually disburse amounts of at least 3.5% of the value of its assets that are not used directly in its charitable programs or their administration. Failure to meet the minimum level of required disbursements during a year may result in the revoking of the Foundation's charitable status. The Foundation has complied with all disbursement level requirements.

2 Significant accounting policies

The combined financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. Following are the significant accounting policies:

Fund accounting and revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. The funds used are as follows:

i) Donor Restricted Fund

Donor restricted revenue consists of donations and special events, the proceeds of which must be used in accordance with the wishes of the donor or the terms of the fundraising licence. Donor restricted expenses consist of costs directly related to earning donor restricted revenues. A portion of the net investment income earned on donor endowment funds is included in the Donor Restricted Fund to be used for purposes specified by the donors.

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2015

ii) Unrestricted Fund

Unrestricted revenue consists of donations and special events, which have not been designated as endowments or donor restricted revenue. Unrestricted expenses include costs directly related to earning unrestricted revenue and administration costs. Net investment income earned on non-endowment funds is reflected in the Unrestricted Fund. Net investment income includes realized investment earnings, as well as changes in unrealized investment gains and losses.

iii) Donor Endowment Fund

Donor endowment revenue consists of donations where the amount donated must be maintained in perpetuity. A portion of the net investment income earned on Donor Endowment Funds is included in the Donor Restricted Fund to be used for purposes specified by the donors. Any remaining net investment income is included in the Donor Endowment Fund for distribution in future years. Net investment income includes realized investment earnings, as well as changes in unrealized investment gains and losses.

iv) General Endowment Fund

General endowment revenue consists of donations and special events, where the amount donated/raised must be maintained in perpetuity. Net investment income earned on assets of the General Endowment Fund is included in the General Endowment Fund and/or the Unrestricted Fund, as determined by the needs of the Foundation. Net investment income includes realized investment earnings, as well as changes in unrealized investment gains and losses.

Financial instruments

Financial instruments consist of cash, accounts receivable, insurance policies, investments, accounts payable and accrued liabilities, due to Covenant Health, grants payable and loan payable and are initially recorded at fair value. Investments are subsequently measured at fair value with changes in fair value recorded in the statement of operations. All other financial instruments are subsequently recorded at cost or amortized cost.

Transaction costs related to financial assets and liabilities are expensed as incurred. The initial fair value of financial instruments, other than those subsequently measured at fair value, is adjusted for financing fees or transaction costs directly attributable to the origination of the instrument. The Foundation accounts for the purchase and sale of investments using settlement date accounting.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits which are highly liquid with original maturities of less than three months.

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2015

Inventories

Inventories are valued at the lower of cost and replacement cost.

Grants payable

The Foundation records grant expense at the time of the commitment.

Contributed services

Other assets, supplies and service contributions that would otherwise have been purchased are recorded as revenue and expenses, at fair value at the date of contribution, when a fair value can be reasonably determined.

Volunteers contribute a significant amount of time each year to assist the Foundation in carrying out its programs and services. However, contributed services of volunteers are not recognized as revenue and expenses in these combined financial statements because fair value cannot be reasonably determined.

3 Cash and cash equivalent

	2015	2014
	\$	\$
Cash	2,574,040	1,089,358
Cash, externally restricted	692,988	619,323
Guaranteed investment certificate	-	2,500,000
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Total cash and cash equivalent	3,267,028	4,208,681

4 Insurance policies

The Foundation is the owner of five life insurance policies. In the course of preparing the 2015 combined financial statements, it was determined that the cash surrender value of the insurance policies had not been recorded at March 31, 2014. As a result, the March 31, 2014 figures included in these combined financial statements have been revised to record the insurance policies, reflecting an increase in the insurance policies of \$117,464, an increase in the accounts receivable of \$48,369, an increase in the loan payable of \$41,915 and an increase in the donor restricted net assets of \$114,244 and unrestricted net assets of \$9,674.

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2015

5 Investments

	2015	2014
	\$	\$
Money market	1,017,810	1,041,977
Fixed income	18,031,729	13,741,105
Equities	16,182,529	14,556,990
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Total investments	<u>35,232,068</u>	<u>29,340,072</u>

Income and financial returns are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from failure by another party to perform according to terms of the contract. Price risk comprises interest rate risk and market risk. Interest rate risk relates to the possibility that investments will change in value with future fluctuations in market interest rates. Market risk relates to the possibility that investments will change in value due to future fluctuations in market prices.

In order to earn optimal financial returns at an acceptable level of risk, the Board has established a policy asset mix for endowment funds of 30% to 70% for fixed income instruments and 30% to 70% for equities, and for non-endowment investment funds of 50% to 90% of fixed income instruments and 10% to 50% for equities.

Equities are comprised of approximately 53% domestic and 47% foreign stocks. Investments are administered on behalf of the Foundation by an investment management firm.

Investment income consists of:

	2015	2014
	\$	\$
Realized investment income	2,509,661	1,307,240
Change in fair value of investments	891,561	1,829,042
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	<u>3,401,222</u>	<u>3,136,282</u>

6 Government remittances

Government remittances consist of amounts such as sales taxes and payroll withholding taxes required to be paid to government authorities and are recognized when the amounts are due. Government remittances of \$31,949 (2014 – \$20,505) are included within accounts payable and accrued liabilities.

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2015

7 Due to Covenant Health

The Board of Directors of Covenant Health has responsibility for appointing the Board of Trustees of the Foundation and as such, exerts control over the Foundation.

Included as administrative support revenue and expenses in the financial statements is an estimate of the value of administrative support and office space received by the Foundation from Covenant Health of \$231,500 (2014 – \$190,000).

	2015 \$	2014 \$
Due to Covenant Health for reimbursement of disbursements related to approved grants	2,471,640	2,087,613

The amount due to Covenant Health is non-interest bearing and will be settled on a current basis.

8 Grants payable

The Foundation has committed grants to Covenant Health that become payable upon verification of the related disbursement made by Covenant Health.

9 Loan payable

The loan payable is due on demand and is secured by the cash surrender value of one insurance policy.

10 Due to The Edmonton Chamber of Commerce

	2015 \$	2014 \$
Amount due to The Edmonton Chamber of Commerce	43,902	43,902
Less: Current portion	43,902	-
	-	43,902

The amount due to The Edmonton Chamber of Commerce for the purchase of the trailers and ornamental light display for the Lights of Hope is non-interest bearing and unsecured.

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2015

11 Donor restricted net assets

Donor restricted net assets are restricted for the support of operational and capital needs of Covenant Health programs as follows:

	2015 \$	2014 \$
Covenant Health programs		
Inpatient	1,689,738	3,450,975
Caritas Continuing Care building	3,017,691	3,010,706
Continuing care	1,899,608	2,496,907
Outpatient	1,679,559	1,618,504
Emergency Services	15,873	14,848
Other	105,492	103,562
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Total donor restricted net assets	8,407,961	10,695,502

12 Commitment

The Foundation entered into a stipulated price contract in the amount of \$1,500,000 with Marcson Homes for construction of a home. The home is part of the “grand prize” for the Caritas Hospital Foundation lottery which commences August 2015. This commitment will be incurred in full in the next fiscal year.

13 Grants from Associates of Caritas

The Associates of Caritas (AOC), formerly the Caritas Volunteer Association, was created April 1, 1995 by combining the volunteer networks of the Grey Nuns, Edmonton General and Misericordia Hospital Volunteer Associations.

The AOC is an arm’s length organization that is governed by its own Board of Directors. The AOC generates revenue to complement and support the activities of Covenant Health for the enhancement of patient care and comfort. AOC donates funds to the Foundation with direction as to how the funds are to be disbursed to the Covenant Health hospital sites.

14 Interfund transfer

On March 18, 2015 the Board of Trustees approved the transfer of \$2,327,753 from the General Endowment Fund to the Unrestricted Fund.

15 Additional information to comply with the disclosure requirement of the Charitable Fund-raising Act and Regulation

In the current year, \$363,137 (2014 – \$318,488) was paid to employees whose principal duties involve fundraising. Fundraising fees of \$110,170 (2013 – \$105,552) were paid to a fundraising business.

Caritas Hospitals Foundation

Schedule 1

Combined Schedule of Special Events Revenue and Expenses

For the year ended March 31, 2015 and March 31, 2014

	Revenue	Expenses	2015	2014	Donor	2015 allocation	Donor
	\$	\$	Net	Net	restricted	Un-	endowment
					\$	restricted	\$
						\$	
Special events							
EAW Golf Tournament	199,255	98,470	100,785	96,723	100,785	-	-
Casino	160,004	-	160,004	81,173	160,004	-	-
Caritas Staff Lottery	139,231	65,846	73,385	87,012	75,685	(2,300)	-
	<u>498,490</u>	<u>164,316</u>	<u>334,174</u>	<u>264,908</u>	<u>336,474</u>	<u>(2,300)</u>	<u>-</u>

