

Misericordia Hospital Foundation

Financial Statements
**March 31, 2013, March 31, 2012 and
April 1, 2011**



October 28, 2013

Independent Auditor's Report

To the Trustees of Misericordia Hospital Foundation

We have audited the accompanying financial statements of Misericordia Hospital Foundation, which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in net assets and cash flows for the years ended March 31, 2013, March 31, 2012, and the related notes, which comprise 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 the auditor's 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, the auditor considers 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 in our audits 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 charitable organizations, Misericordia Hospitals Foundation derives revenue 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 Misericordia Hospitals Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to donations and other fundraising projects revenue, excess of revenue over expenses, and cash flows from operations for the years ended March 31, 2013 and March 31, 2012 and current assets and net assets as at March 31, 2013, March 31, 2012 and April 1, 2011.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Misericordia Hospital Foundation as at March 31, 2013, March 31, 2012 and April 1, 2011 and the results of its operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

Chartered Accountants

Misericordia Hospital Foundation

Statements of Financial Position

	March 31, 2013 \$	March 31, 2012 \$	April 1, 2011 \$
Assets			
Cash	58,525	109,712	42,040
Due from The General Hospital (Grey Nuns) of Edmonton Hospital Foundation	36,007	-	-
Investments (note 4)	11,575,043	10,711,915	10,483,301
	<u>11,669,575</u>	<u>10,821,627</u>	<u>10,525,341</u>
Liabilities			
Due to Covenant Health (note 5)	204,993	104,996	22,341
Due to The General Hospital (Grey Nuns) of Edmonton Hospital Foundation	-	372,834	1,055,357
	<u>204,993</u>	<u>477,830</u>	<u>1,077,698</u>
Net Assets			
Donor restricted (note 6)	2,467,167	2,547,284	1,703,258
Unrestricted	669,315	491,171	467,183
Donor endowment	1,462,369	926,406	886,910
General endowment	6,865,731	6,378,936	6,390,292
	<u>11,464,582</u>	<u>10,343,797</u>	<u>9,447,643</u>
	<u>11,669,575</u>	<u>10,821,627</u>	<u>10,525,341</u>
Commitments (note 9)			

Approved by the Board of Trustees

_____ Trustee _____ Trustee

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

Misericordia Hospital Foundation

Statements of Operations and Changes in Net Assets For the years ended March 31, 2013 and March 31, 2012

	Donor Restricted Funds \$	Unrestricted Funds \$	Donor Endowment Funds \$	General Endowment Funds \$	Total 2013 \$	Total 2012 \$
Revenue						
Home Lottery	-	2,536,496	-	-	2,536,496	-
Charitable donations	934,730	234,154	400,000	100	1,568,984	1,098,686
Donations from Associates of Caritas (note 7)	129,539	-	-	-	129,539	130,706
Other fundraising projects	192,397	-	-	-	192,397	74,414
Investment income – net (note 4)	28,977	251,614	48,050	486,695	815,336	180,360
Administrative support (note 5)	-	40,000	-	-	40,000	35,000
	<u>1,285,643</u>	<u>3,062,264</u>	<u>448,050</u>	<u>486,795</u>	<u>5,282,752</u>	<u>1,519,166</u>
Expenses						
Home Lottery	-	2,678,600	-	-	2,678,600	-
Donations to Covenant Health	1,101,047	-	-	-	1,101,047	407,991
Charitable donations - direct costs	114,281	-	-	-	114,281	-
Other fundraising projects	62,519	-	-	-	62,519	-
Administration	-	165,520	-	-	165,520	180,021
Administrative support (note 5)	-	40,000	-	-	40,000	35,000
	<u>1,277,847</u>	<u>2,884,120</u>	<u>-</u>	<u>-</u>	<u>4,161,967</u>	<u>623,012</u>
Excess (deficiency) of revenue over expenses	7,796	178,144	448,050	486,795	1,120,785	896,154
Net assets – beginning of year	2,547,284	491,171	926,406	6,378,936	10,343,797	9,447,643
Interfund transfer (note 10)	(87,913)	-	87,913	-	-	-
Net assets – end of year	<u>2,467,167</u>	<u>669,315</u>	<u>1,462,369</u>	<u>6,865,731</u>	<u>11,464,582</u>	<u>10,343,797</u>

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

Misericordia Hospital Foundation

Statements of Cash Flows

For the years ended March 31, 2013 and March 31, 2012

	2013 \$	2012 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	1,120,785	896,154
Item not affecting cash		
Change in fair value of investments	(425,981)	188,944
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	694,804	1,085,098
Net change in non-cash working capital items		
Due to Covenant Health	99,997	82,655
Due to The General Hospital (Grey Nuns) of Edmonton Hospital Foundation	(408,841)	(682,523)
	<hr/>	<hr/>
	385,960	485,230
Investing activities		
Purchase of investments	(437,147)	(417,558)
	<hr/>	<hr/>
(Decrease) increase in cash	(51,187)	67,672
Cash – beginning of year	109,712	42,040
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Cash – end of year	58,525	109,712
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The accompanying notes are an integral part of these financial statements.

Misericordia Hospital Foundation

Notes to Financial Statements

March 31, 2013 and March 31, 2012

1 Purpose of the organization

Misericordia Hospital Foundation (the Foundation), incorporated under the Misericordia Hospital Act Chapter 95, April 11, 1967, is a registered charitable organization, which functions as one of the official fundraising arms of Covenant Health. Covenant Health is an operator of voluntary health facilities and programs within 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 Covenant Health. 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.

The Misericordia Hospital Foundation and The General Hospital (Grey Nuns) of Edmonton Hospital Foundation share certain governance and administrative functions. These financial statements reflect the Misericordia Hospital Foundation's share of these costs which were 25% (2012 – 25%) of total administrative costs in 2013.

2 Significant accounting policies

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

a) 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 license. 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.

Misericordia Hospital Foundation

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March 31, 2013 and March 31, 2012

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.

b) Financial instruments

Financial instruments consist of cash, investments, due to Covenant Health and due (to) from The General Hospital (Grey Nuns) of Edmonton Hospital Foundation 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.

c) 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.

Misericordia Hospital Foundation

Notes to Financial Statements

March 31, 2013 and March 31, 2012

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 revenues and expenses in these financial statements because fair value cannot be reasonably determined.

3 Transition to accounting standards for not-for-profit organizations

Effective April 1, 2012, the Foundation elected to adopt Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board. The accounting policies selected under this framework have been applied consistently and retrospectively as if these policies had always been in effect. The Foundation has not utilized any transitional exemptions on the adoption of ASNPO. There were no adjustments to the statement of financial position or the statements of operations, changes in net assets and cash flows.

4 Investments

	March 31, 2013 \$	March 31, 2012 \$	April 1 2011 \$
Money market	665,893	653,047	625,942
Fixed income	5,179,325	4,922,269	4,556,408
Equities	5,729,825	5,136,599	5,300,951
Total investments	<u>11,575,043</u>	<u>10,711,915</u>	<u>10,483,301</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.

Misericordia Hospital Foundation

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Equities are comprised of approximately 67% domestic and 33% foreign stocks. Investments are administered on behalf of the Foundation by an investment management firm.

Net investment income consists of:

	2013 \$	2012 \$
Net realized investment income	389,355	369,304
Change in fair value of investments	425,981	(188,944)
	<u>815,336</u>	<u>180,360</u>

5 Related party transactions

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.

The amounts due to Covenant Health pertain to the outstanding monetary balance of approved donations at year-end. The amount is non-interest bearing and will be settled on a current basis.

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 \$40,000 (2012 – \$35,000).

6 Donor restricted net assets

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

	March 31, 2013 \$	March 31, 2012 \$	April 1 2011 \$
Covenant Health programs			
Outpatient	1,285,726	1,264,158	856,769
Inpatient	1,112,859	1,210,458	806,499
Other	68,066	72,152	39,474
Emergency services	516	516	516
		<u>2,467,167</u>	<u>1,703,258</u>
Total donor restricted net assets	<u>2,467,167</u>	<u>2,547,284</u>	<u>1,703,258</u>

Misericordia Hospital Foundation

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7 Donations 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.

8 Interfund transfers

The Board of Directors approved the transfer of \$87,913 from Donor Restricted Funds to Donor Endowment Funds for the Mickleborough Endowment.

9 Commitments

The Foundation entered into a stipulated price contract with The General Hospital (Grey Nuns) of Edmonton Hospital Foundation 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 2013. This commitment will be incurred in full in the next fiscal year.

The Foundation has committed to fund various Covenant Health projects of which \$410,780 remains to be transferred to Covenant Health at March 31, 2013.

The Foundation receives restricted donations from various donors which are recorded as revenue in the Donor Restricted Fund in the Statement of Operations. Certain equipment items have been committed to be purchased by Covenant Health with these restricted donations totalling \$311,281 at March 31, 2013. The committed funds will be transferred to Covenant Health on a reimbursement basis as the equipment is purchased.

