

Caritas Hospitals Foundation

Combined Financial Statements
March 31, 2014



October 20, 2014

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 Caritas Hospitals Foundation, which comprise the combined statement of financial position as at March 31, 2014 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.

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

Basis for qualified opinion

In common with many charitable organizations, Caritas 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 Caritas 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 operating activities for the year ended March 31, 2014 and March 31, 2014, current assets as at March 31, 2014 and March 31, 2013 and net assets as at April 1 and March 31 for both 2014 and 2013 years. Our audit opinion on the financial statements for the year ended March 31, 2013 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 Caritas Hospitals Foundation as at March 31, 2014 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 Accountants

Caritas Hospitals Foundation
Combined Statement of Financial Position
As at March 31, 2014

	2014 \$	2013 \$
Assets		
Current assets		
Cash and cash equivalents	4,208,681	3,899,562
Accounts receivable	212,033	507,055
Inventories	37,612	51,475
Prepaid expenses	152,917	9,126
	<u>4,611,243</u>	<u>4,467,218</u>
Investments (note 3)	29,340,072	26,230,788
Capital assets (note 4)	<u>-</u>	<u>150,000</u>
	<u>33,951,315</u>	<u>30,848,006</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	101,323	92,025
Deferred revenue	66,700	8,970
Due to Covenant Health (note 5)	2,087,613	1,239,492
Current portion due to The Edmonton Chamber of Commerce (note 6)	-	50,000
	<u>2,255,636</u>	<u>1,390,487</u>
Due to The Edmonton Chamber of Commerce (note 6)	<u>43,902</u>	<u>93,902</u>
	<u>2,299,538</u>	<u>1,484,389</u>
Net Assets		
Donor restricted (note 7)	10,354,830	10,635,725
Unrestricted	246,533	110,133
Donor endowment	7,797,147	6,865,562
General endowment	13,253,267	11,752,197
	<u>31,651,777</u>	<u>29,363,617</u>
	<u>33,951,315</u>	<u>30,848,006</u>
Commitments (note 9)		

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, 2014

	Donor Restricted Funds \$	Unrestricted Funds \$	Donor Endowment Funds \$	General Endowment Funds \$	Total 2014 \$	Total 2013 \$
Revenue						
Home lottery	5,280,868	-	-	-	5,280,868	5,072,993
Charitable donations	1,250,259	201,672	136,583	-	1,588,514	2,386,262
Donations from Associates of Caritas (note 8)	730,000	-	-	-	730,000	340,840
Other fundraising projects (schedule 1)	411,883	29,623	-	-	441,506	543,663
Investment income – net (note 3)	70,946	617,175	820,866	1,501,070	3,010,057	1,741,211
Administrative support (note 5)	-	190,000	-	-	190,000	160,000
	7,743,956	1,038,470	957,449	1,501,070	11,240,945	10,244,969
Expenses						
Home lottery	4,743,369	-	-	-	4,743,369	5,305,725
Donations to Covenant Health	2,913,924	-	25,864	-	2,939,788	2,154,615
Charitable donations – direct costs	238,542	-	-	-	238,542	237,942
Other fundraising projects (schedule 1)	129,016	5,043	-	-	134,059	410,791
Administration	-	557,027	-	-	557,027	662,081
Administrative support (note 5)	-	190,000	-	-	190,000	160,000
Amortization	-	50,000	-	-	50,000	50,000
Loss on write off of capital assets	-	100,000	-	-	100,000	-
	8,024,851	902,070	25,864	-	8,952,785	8,981,154
Excess (deficiency) of revenue over expenses	(280,895)	136,400	931,585	1,501,070	2,288,160	1,263,815
Net assets – beginning of year	10,635,725	110,133	6,865,562	11,752,197	29,363,617	28,099,802
Net assets – end of year	10,354,830	246,533	7,797,147	13,253,267	31,651,777	29,363,617

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, 2014

	2014 \$	2013 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	2,288,160	1,263,815
Items not affecting cash		
Amortization of capital assets	50,000	50,000
Change in fair value of investments	(1,829,042)	(856,711)
Loss on write off of capital assets	100,000	-
	<hr/>	<hr/>
	609,118	457,104
Net change in non-cash working capital items		
Accounts receivable	295,022	(402,877)
Inventories	13,863	(51,475)
Prepaid expenses	(143,791)	1,878
Accounts payable and accrued liabilities	9,298	(55,155)
Deferred revenue	57,730	(31,330)
Due to Covenant Health	848,121	1,755,738
	<hr/>	<hr/>
	1,689,361	1,673,883
Investing activities		
Purchase of investments	(1,280,242)	(965,569)
Repayment of debt	(100,000)	(50,000)
	<hr/>	<hr/>
	(1,380,242)	(1,015,569)
Increase (decrease) in cash and cash equivalents	309,119	658,314
Cash and cash equivalents – Beginning of year	<hr/>	<hr/>
	3,899,562	3,241,248
Cash and cash equivalents – End of year	<hr/>	<hr/>
	4,208,681	3,899,562

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

Caritas Hospitals Foundation

Notes to Combined Financial Statements

March 31, 2014

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:

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.

Caritas Hospitals Foundation

Notes to Combined Financial Statements

March 31, 2014

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 and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and due to Covenant Health 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) 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.

d) Inventories

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

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2014

e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Trailers and ornamental light display for the Lights of Hope Project are amortized over their estimated useful lives on a straight-line basis at a rate of 20%.

f) 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 financial statements because fair value cannot be reasonably determined.

3 Investments

	2014	2013
	\$	\$
Money market	1,041,977	7,313,250
Fixed income	13,741,105	7,243,602
Equities	14,556,990	11,673,936
	<hr/>	<hr/>
Total investments	<u>29,340,072</u>	<u>26,230,788</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.

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2014

Net investment income consists of:

	2014	2013
	\$	\$
Net realized investment income	1,181,015	884,500
Change in fair value of investments	1,829,042	856,711
	<u>3,010,057</u>	<u>1,741,211</u>

4 Capital assets

	<u>2014</u>		<u>2013</u>	
	Cost	Accumulated amortization	Net	Net
	\$	\$	\$	\$
Trailers and ornamental light display – Lights of Hope	-	-	-	150,000
	<u> </u>		<u> </u>	

During the year the Foundation wrote off the trailers and ornamental light display used by the Lights of Hope Project as it no longer plans to use these assets. The amount of the write off was \$100,000.

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.

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 \$190,000 (2013 – \$160,000).

	2014	2013
	\$	\$
Due to Covenant Health for the outstanding monetary balance of approved donations	<u>2,087,613</u>	<u>1,239,492</u>

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

Caritas Hospitals Foundation
Notes to Combined Financial Statements
March 31, 2014

6 Due to The Edmonton Chamber of Commerce

	2014	2013
	\$	\$
Amount due to The Edmonton Chamber of Commerce	43,902	143,902
Less: Current portion	-	50,000
	<u>43,902</u>	<u>93,902</u>

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.

Repayments over the next two years based on the current repayment schedule are as follows:

	\$
2015	-
2016	<u>43,902</u>
	<u>43,902</u>

7 Donor restricted net assets

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

	2014	2013
	\$	\$
Covenant Health programs		
Inpatient	3,337,761	3,263,456
Caritas Continuing Care building	3,010,706	3,008,744
Continuing care	2,269,449	2,174,208
Outpatient	1,618,504	2,110,455
Emergency Services	14,848	10,796
Other	103,562	68,066
	<u>10,354,830</u>	<u>10,635,725</u>
Total donor restricted net assets		

Caritas Hospitals Foundation

Notes to Combined Financial Statements

March 31, 2014

8 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.

9 Commitments

- a) 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 2014. This commitment will be incurred in full in the next fiscal year.
- b) Subsequent to March 31, 2014, the Foundation committed to raise \$2.5 million on a best efforts basis towards the redevelopment of Covenant Health's Misericordia Hospital Neonatal Intensive Care Nursery and \$500,000 towards the development of Covenant Health's Palliative End of Life Institute. Both amounts are expected to be paid out by March 31, 2016.
- c) 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 \$1,920,252 at March 31, 2014. The committed funds will be transferred to Covenant Health on a reimbursement basis as the equipment is purchased.

Caritas Hospitals Foundation

Schedule 1

Combined Schedule of Special Events Revenue and Expenses

For the year ended March 31, 2014 and March 31, 2013

2014 allocation

	Revenue \$	Expenses \$	2014 Net	2013 Net	Donor restricted \$	Un- restricted \$	Donor endowment \$
Special events							
EAW Golf Tournament	154,825	58,102	96,723	163,083	77,380	19,343	-
Casino	81,173	-	81,173	78,118	81,173	-	-
Caritas Staff Lottery	157,927	70,915	87,012	87,086	82,661	4,351	-
Grants	41,653	-	41,653	50,000	41,653	-	-
Longest Day of Golf	-	-	-	(6,654)	-	-	-
Lights of Hope	5,928	5,042	886	(238,761)	-	886	-
	<u>441,506</u>	<u>134,059</u>	<u>307,447</u>	<u>132,872</u>	<u>282,867</u>	<u>24,580</u>	<u>-</u>

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

