

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2018

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

**FINANCIAL STATEMENTS
MARCH 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

TO THE DIRECTORS LLOYDMINSTER REGION HEALTH FOUNDATION INC. LLOYDMINSTER, SASKATCHEWAN

We have audited the accompanying financial statements of Lloydminster Region Health Foundation Inc., which comprise the statement of financial position as at March 31, 2018 and the statements of operations and changes in fund balances and cash flows for the year then ended, and 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 generally accepted accounting principles 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 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 an audit to obtain reasonable assurance whether the financial statements are free of 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the statement of financial position of the Lloydminster Region Health Foundation Inc. as at March 31, 2018 and their results of operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Wilkinson Livingston Stevens LLP

Lloydminster, Alberta
June 12, 2018

Chartered Accountants

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018

	2018				2017
	General	Designated	Endowment	Total	Total
ASSETS					
Current Assets					
Cash	135,219	13,383	-	148,602	220,198
Accounts receivable	3,070	83,200	-	86,270	49,882
GST receivable	2,510	-	-	2,510	1,399
Inventory	23,885	-	-	23,885	26,667
Prepaid expenses	<u>26,805</u>	<u>540</u>	<u>-</u>	<u>27,345</u>	<u>33,386</u>
	191,489	97,123	-	288,612	331,532
Investments (Note 4)	-	-	2,447,438	2,447,438	3,211,995
Property, plant and equipment (Note 5)	14,716	-	-	14,716	25,371
Intangibles	<u>2,122</u>	<u>-</u>	<u>-</u>	<u>2,122</u>	<u>4,222</u>
	<u>\$ 208,327</u>	<u>\$ 97,123</u>	<u>\$ 2,447,438</u>	<u>\$ 2,752,888</u>	<u>\$ 3,573,120</u>
LIABILITIES AND FUND BALANCES					
Current Liabilities					
Accounts payable and accrued liabilities	33,031	187,294	8,499	228,824	58,750
Due to (from) other funds	1,148,826	(1,470,948)	322,122	-	-
Deferred revenues	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>4,520</u>
	<u>1,184,857</u>	<u>(1,283,654)</u>	<u>330,621</u>	<u>231,824</u>	<u>63,270</u>
Fund Balances (Page 4)	<u>(976,530)</u>	<u>1,380,777</u>	<u>2,116,817</u>	<u>2,521,064</u>	<u>3,509,850</u>
	<u>\$ 208,327</u>	<u>\$ 97,123</u>	<u>\$ 2,447,438</u>	<u>\$ 2,752,888</u>	<u>\$ 3,573,120</u>

Approved On Behalf Of The Board

Director

Daniel A Howell

Director

J. Spennath

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2018

	2018			2017	
	General	Designated (Note 10)	Endowment (Note 11)	Total	Total
Revenue					
Donations	113,934	1,203,699	-	1,317,633	307,696
Gain (loss) on disposal of donated securities	(2,403)	-	-	(2,403)	-
Investment income (loss) (Note 9)	31,110	-	79,043	110,153	298,030
Event and gaming revenue (Note 7)	25,687	400,036	-	425,723	348,139
Net income - gift shop (Page 12)	(30,284)	-	-	(30,284)	(22,371)
Other income	18,238	-	-	18,238	8,820
	<u>156,282</u>	<u>1,603,735</u>	<u>79,043</u>	<u>1,839,060</u>	<u>940,314</u>
Expenses					
Administration	177,064	18,238	-	195,302	141,950
Fundraising	105,429	2,725	-	108,154	111,258
Event and gaming costs (Note 7)	14,706	284,241	-	298,947	211,621
Salaries	314,556	9,057	-	323,613	391,906
	<u>611,755</u>	<u>314,261</u>	<u>-</u>	<u>926,016</u>	<u>856,735</u>
Excess (Deficiency) of Revenues Over Expenses before Grants	(455,473)	1,289,474	79,043	913,044	83,579
Grants to enhance healthcare (Note 8)	<u>384,554</u>	<u>1,479,925</u>	<u>37,351</u>	<u>1,901,830</u>	<u>792,276</u>
Excess (Deficiency) of Revenues Over Expenses	(840,027)	(190,451)	41,692	(988,786)	(708,697)
Fund Balances, beginning of year	(173,965)	1,577,089	2,106,726	3,509,850	4,218,547
Interfund Transfers (Note 12)	<u>37,462</u>	<u>(5,861)</u>	<u>(31,601)</u>	<u>-</u>	<u>-</u>
Fund Balances, end of year	<u>\$ (976,530)</u>	<u>\$ 1,380,777</u>	<u>\$ 2,116,817</u>	<u>\$ 2,521,064</u>	<u>\$ 3,509,850</u>

Refer to Notes 7 & 13 for contributed materials included in revenues and expenses.

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	2018	2017
Operating Activities		
Cash received from donations	1,259,567	292,452
Cash received from events and gaming	353,797	302,765
Investment income received	494,751	252,579
Cash received from gift shop sales	188,410	167,285
Cash received from other income	18,238	8,820
Cash paid for administration and fundraising expenses	(259,459)	(243,961)
Cash paid for granting	(1,758,343)	(825,349)
Cash paid for events and gaming	(217,995)	(181,124)
Cash paid for salaries and benefits	(323,613)	(391,906)
Cash paid for gift shop supplies and services	(132,470)	(125,351)
Cash paid for gift shop salaries and benefits	<u>(74,674)</u>	<u>(64,776)</u>
	<u>(451,791)</u>	<u>(808,566)</u>
Investing Activities		
Cash received for investments (net)	<u>380,195</u>	<u>617,990</u>
	<u>380,195</u>	<u>617,990</u>
Net Increase (Decrease) In Cash	(71,596)	(190,576)
Cash at beginning	<u>220,198</u>	<u>410,774</u>
Cash At End	<u>\$ 148,602</u>	<u>\$ 220,198</u>

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED MARCH 31, 2018

1. Purpose of the Organization

The Lloydminster Region Health Foundation Inc. is an organization formed to enhance public healthcare in the community by generating and receiving donations.

The Foundation was incorporated under the provisions of the Non-Profit Corporations Act (Saskatchewan) on November 8, 1983 as the Lloydminster Regional Hospital Foundation Inc. Effective June 16, 1995, the Foundation changed its name to the Lloydminster Region Health Foundation Inc. (the "Foundation"). The Foundation was registered as an extra-provincial corporation in Alberta on September 2, 2007. The Foundation is a registered public charity under the Income Tax Act (Canada) and accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. Significant Accounting Policies

The financial statements have been prepared for management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. Funds are held in accordance with the objectives specified by the donors in accordance with directives issued by the Board. Transfers between the funds are made when it is considered appropriate and authorized by the Board. These interfund transfers are recorded in the Statement of Operations and Changes in Fund Balances.

The General Fund accounts for the Foundation's general and unrestricted fundraising activities and reports resources which are not externally restricted.

The Designated Fund reports amounts which are restricted externally by donors in support of community care, acute care, continuing care, and greatest needs.

The Endowment Fund includes those funds where either donor or internal restrictions require that the principal be maintained by the Foundation in perpetuity. Amounts specifically identified as endowments by donors are included in revenue and expenses of the 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.

Inventories

Inventories are valued at the lower of cost or net realizable value as estimated by management. Cost is determined by using a first in, first out method.

Investments

The investments of the Foundation are recorded at market value. Pooled funds and other investments are based on values reported by the external investment manager and fixed income investments are valued based on cost plus accrued income, which approximates fair value. Investment income, which consists of interest, distributions from pooled funds and realized and unrealized gains and losses, is recorded as revenue in the Statement of Operations and Changes in Fund Balances.

Investment income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Designated and General Fund resources is recognized as revenue of the General Fund.

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

2. Significant Accounting Policies (con't)

Property, plant and equipment

Property, plant and equipment are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful life of the assets. The annual rates of depreciation used are 10-50% on equipment and 20% on computer equipment, computer software and website.

Intangibles

Intangibles consist of brand imaging and are recorded at cost. Depreciation is provided for using the straight-line method over the estimated useful life of the assets. The annual rate of depreciation used is 20%.

Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable, accrued liabilities and grants payable.

Revenue recognition

Restricted contributions are recognized as revenue of the Designated and Endowment funds and unrestricted contributions are recognized as revenue of the General fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Event and gaming revenues are recognized in the fiscal year in which the program is concluded. Revenues are deferred for the following that take place subsequent to year end: lottery prize draws and events held.

During the fiscal year 2017/18, the Foundation implemented a Recovery of Fundraising and Operational Costs Policy. The purpose of this policy is to more closely associate fundraising benefits and costs across all donations to generate a pool of resources that will be available for the operation of the Foundation. A 7% fee is charged on General and Designated donations and recognized as revenue in the General Fund.

Gift shop sales are recognized when goods are provided to the purchaser at the point of sale. Rental income on televisions and telephones is recognized as the service is provided. Lottery ticket sales are recognized as tickets are sold.

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 of repayment.

Contributed Materials and Services

Contributed materials are recorded when a fair value can be reasonably estimated and when such materials are used in the normal course of operations and would otherwise have been purchased.

Volunteers contribute several hours per year to assist with the Foundation's fundraising activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

3. **Financial Instruments**

The Foundation is exposed to various risks through its financial instruments.

Interest rate risk

Interest rate risk is the risk to the Foundation's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. See Note 4.

Credit risk

The Foundation is exposed to credit risk on receivables from its customers and donors. Credit risk is considered to be minimal due to the nature of the Foundation's operations.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments. The Foundation manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

4. **Investments**

	2018				2017
	General	Designated	Endowment	Total	Total
Investment portfolios	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,447,438</u>	\$ <u>2,447,438</u>	\$ <u>3,211,995</u>

The Foundation's investment portfolios are managed by an external professional investment manager, to which a quarterly management fee is paid. Total fees for 2018 were \$21,493 (2017 - \$18,866). The current average fee rate for 2018 was 0.76% (2017 - 0.54%). The portfolio is invested as follows: GIC's - 25.0%, fixed income mutual funds 44.1% and equity pooled funds 30.9%.

5. **Property, Plant and Equipment**

	2018			2017
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Equipment	90,472	87,747	2,725	9,668
Computer equipment	6,553	6,553	-	-
Computer software	78,383	78,383	-	-
Website	11,662	9,330	2,332	4,665
Leasehold Improvements	<u>13,798</u>	<u>4,139</u>	<u>9,659</u>	<u>11,038</u>
	\$ <u>200,868</u>	\$ <u>186,152</u>	\$ <u>14,716</u>	\$ <u>25,371</u>
Depreciation charged to operations			\$ <u>10,655</u>	\$ <u>10,655</u>

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

6. Grants Payable

Grants and grants payable are recorded when the grant is awarded and approved by the Board. Payments made against these amounts are based on invoices received.

Grants payable outstanding at year end are \$174,977 (2017 - \$0).

7. Events and Gaming Revenue

	2018			2017		
	Revenue	Expense	Net	Revenue	Expense	Net
Events:						
Gala	377,417	(271,026)	106,391	259,779	(153,207)	106,572
Muck Run	25,687	(14,706)	10,981	37,394	(15,086)	22,308
Clara Hughes - Mental Health (Note 1)	-	-	-	2,114	(28,842)	(26,728)
Walk with Dustin Golf	5,119	(5,865)	(746)	9,841	(3,311)	6,530
	<u>408,223</u>	<u>(291,597)</u>	<u>116,626</u>	<u>309,128</u>	<u>(200,446)</u>	<u>108,682</u>
Gaming:						
Gala Worth a Mint Lottery	17,500	(7,350)	10,150	20,100	(5,249)	14,851
Pioneer House Raffle	-	-	-	12,561	(4,747)	7,814
NHL Heritage Classic Raffle	-	-	-	6,350	(1,179)	5,171
	<u>17,500</u>	<u>(7,350)</u>	<u>10,150</u>	<u>39,011</u>	<u>(11,175)</u>	<u>27,836</u>
	<u>\$ 425,723</u>	<u>\$ (298,947)</u>	<u>\$ 126,776</u>	<u>\$ 348,139</u>	<u>\$ (211,621)</u>	<u>\$ 136,518</u>

Note 1: Previously received funds were designated for this event from the Investors Group Golf. Designated funds were utilized to cover speaker fees.

Included in event and gaming revenue and expenses are Gala and Muck Run gift-in-kind amounts of \$63,927 (2017 - \$34,397).

8. Grants to Enhance Healthcare

The classification of significant amounts granted is as follows:

	2018				2017
	General	Designated	Endowment	Total	Total
Community Care	23,319	155,692	37,351	216,362	82,810
Acute Care	-	736,025	-	736,025	366,660
Continuing Care	3,709	582,920	-	586,629	302,154
Greatest Needs	357,526	5,288	-	362,814	40,652
	<u>\$ 384,554</u>	<u>\$ 1,479,925</u>	<u>\$ 37,351</u>	<u>\$ 1,901,830</u>	<u>\$ 792,276</u>

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

9. Investment Income

Investment income earned on the Foundation's assets consists of the following:

	2018				2017
	General	Designated	Endowment	Total	Total
Interest and dividends	21,212	-	51,096	72,308	86,229
Realized gains (losses)	110,423	-	311,784	422,207	172,066
Net change in unrealized gain (losses) on investments	<u>(100,525)</u>	<u>-</u>	<u>(283,837)</u>	<u>(384,362)</u>	<u>39,735</u>
	<u>\$ 31,110</u>	<u>\$ -</u>	<u>\$ 79,043</u>	<u>\$ 110,153</u>	<u>\$ 298,030</u>

10. Designated Fund

The Designated Fund consists of funds available for spending that are restricted by donors for the following purposes:

	2018	2017
Community Care	40,492	209,800
Acute Care	709,064	920,773
Continuing Care	584,398	443,761
Greatest Needs	<u>46,823</u>	<u>2,755</u>
	<u>\$ 1,380,777</u>	<u>\$ 1,577,089</u>

11. Endowment Fund

The Endowment Fund consists of externally restricted contributions received by the Foundation and internal resources transferred by the Board to the Endowment Fund.

	2018	2017
Internally imposed endowments approved by Board		
Goodfellow education, the income from which must be used for student nursing scholarships	721,303	733,809
Goodfellow general, the income from which must be used for emerging needs	612,308	600,233
Hugh Stevens, the income from which must be used for innovation and technology	<u>677,348</u>	<u>664,030</u>
	2,010,959	1,998,072
Externally imposed endowments		
Pat Redden, the income from which must be used for nursing scholarships	<u>105,858</u>	<u>108,654</u>
	<u>\$ 2,116,817</u>	<u>\$ 2,106,726</u>

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018

12. Interfund Transfers

Transfers between funds consist of the following:

	2018			2017	
	General	Designated	Endowment	Total	Total
Administration charges	31,601	-	(31,601)	-	-
Event proceeds	16,234	(16,234)	-	-	-
Project reallocation	(10,373)	10,373	-	-	-
	<u>\$ 37,462</u>	<u>\$ (5,861)</u>	<u>\$ (31,601)</u>	<u>\$ -</u>	<u>\$ -</u>

In 2018, the Board approved the above noted transfers.

13. Contributed Materials

Included in the financial statements are gift in kind contributions in the amount of \$89,591 (2017 - \$49,641). Of this amount, \$63,927 (2017 - \$34,397) is included in the event and gaming revenue related to the Gala and Muck Run. Media gift in kind contributions totaled \$17,431 (2017 - \$6,298) and represents newspaper and radio advertising. Other gift in kind amounts included in donation revenue totaled \$72,160 (2017 - \$8,946) and represent items donated for various projects.

It is the Board's policy to immediately dispose of securities donated to the Foundation. As a result, gains and losses on such disposals are not reflective of the Board's management and stewardship of these investments. As such the statement of cash flows reflects these proceeds on disposal as cash received from donations rather than investing activities.

14. Related Party Transactions

The following summarizes the Foundation's related party transactions for the year.

	2018	2017
Donation revenue		
Directors	\$ 11,564	\$ 8,430
Management	1,027	50

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At the end of the year, there were no amounts due to or from related parties.

15. Comparative Amounts

Certain 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

16. Subsequent Events

Effective April 1, 2018, the Foundation has increased the recovery of fundraising and operational costs fee from 7% to 14% on designated and/or endowment donations received on or after April 1, 2018 (up to a maximum of \$5,000 per donation). This will impact the allocation of revenues between funds. Recovery of fundraising and operational costs fees are a common industry practice.

LLOYDMINSTER REGION HEALTH FOUNDATION INC.

SCHEDULE OF GIFT SHOP OPERATIONS
YEAR ENDED MARCH 31, 2018

	2018	2017
Sales	188,318	167,672
Cost of Sales	<u>129,140</u>	<u>109,375</u>
Gross margin	<u>59,178</u>	<u>58,297</u>
Operating Expenses		
Depreciation	8,323	8,323
Interest and bank charges	2,101	1,467
Marketing	1,357	1,870
Postage and office supplies	630	844
Repairs and maintenance	2,613	3,499
Salaries	<u>74,674</u>	<u>64,776</u>
	<u>89,698</u>	<u>80,779</u>
Operating Income	(30,520)	(22,482)
Other Income		
Interest	<u>236</u>	<u>111</u>
Net Income	<u>\$ (30,284)</u>	<u>\$ (22,371)</u>