

**THE FRIENDS OF UNIVERSITY  
HOSPITALS**  
**Financial Statements**  
**Year Ended March 31, 2020**

## Index to Financial Statements

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### THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2020

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**page number**

<b>1</b>	Independent Auditor's Report
<b>2</b>	Statement of Operations
<b>3</b>	Statement of Changes in Net Assets
<b>4</b>	Statement of Financial Position
<b>5</b>	Statement of Cash Flow
<b>6 - 12</b>	Notes to the Financial Statements



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August 19, 2020  
Edmonton, Alberta

## **Independent Auditor's Report**

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To the Members of The Friends of University Hospitals:

### **Qualified Opinion**

We have audited the accompanying financial statements of The Friends of University Hospitals (the Association), which comprise the statement of financial position as at March 31, 2020 and the statements of operations, changes in net assets and cash flow for the year then ended, and notes to the financial statements and a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the basis for Qualified Opinion section of our report, the accompanying summary financial statements present fairly in all material aspects the financial position of the Association at March 31, 2020 and the results of its operations and its cash flow for the year ended in accordance with the Canadian Accounting Standards for Not-for-Profit Organizations.

### **Basis for Qualified Opinion**

In common with many not-for-profit organizations, the Association derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Association. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended March 31, 2020, current assets and net assets as at March 31, 2020.

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

### **Material Uncertainty Related to Going Concern**

We draw your attention to Note 2 in the financial statements, which indicates that the Association's operation has been subject to a mandatory shutdown under Alberta Health Services due to COVID-19 and it is unclear, at the report date, when the gift shops will have the ability to reopen to the public. As at the reporting date, there is no certainty as to COVID-19's impact on the business and its cashflow, and when the Association's gift shop operations will have the ability to reopen to the public. As stated in Note 2, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Association's financial reporting.

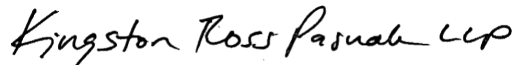
## **Auditor's Responsibilities for the Audit of the Financial Statements**

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 Association'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 Association'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 Association's 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.



**Kingston Ross Pasnak LLP**  
Chartered Professional Accountants

## Statement of Operations

### THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2020

			<b>2020</b>	<b>2019</b>
			<u>          </u>	<u>          </u>
SALES			\$ 1,461,889	\$ 1,480,907
Less: Cost of sales			917,927	900,846
<b>GROSS PROFIT ON SALES</b>			<b>543,962</b>	<b>580,061</b>
<b>OTHER REVENUE (EXPENSES)</b>				
Atrium revenue			92,072	89,024
Gift shop salaries and benefits			(263,463)	(261,543)
<b>GIFT SHOP CONTRIBUTION</b>			<b>372,571</b>	<b>407,542</b>
<b>EXPENDITURES</b>				
	<b>Operating</b>		<b>Arts in</b>	<b>Grants</b>
	<b>Administration</b>	<b>Volunteers</b>	<b>Health Care</b>	<b>to U of A</b>
	<b>Hospital</b>			
Salaries and benefits	\$ 119,613	\$ 13,290	\$ 264,574	-
Grants paid to UAH (Note 7)	-	-	-	-
Other	58,547	-	23,190	-
Volunteer travel and meals	-	15,822	-	-
Professional fees	10,858	-	16,872	-
	<u>189,018</u>	<u>29,112</u>	<u>304,636</u>	<u>-</u>
			522,765	594,957
<b>REVENUE</b>				
Grants and donations	(20,701)	-	(118,832)	-
Fundraising	(57,232)	-	(21,249)	-
Interest	(5,747)	-	(936)	-
	<u>(83,680)</u>	<u>-</u>	<u>(141,017)</u>	<u>-</u>
			(224,697)	(201,630)
<b>Net cost</b>	<b>\$ 105,338</b>	<b>\$ 29,112</b>	<b>\$ 163,619</b>	<b>\$ -</b>
			298,068	393,327
<b>EXCESS OF REVENUE OVER</b>				
<b>EXPENDITURES BEFORE AMORTIZATION</b>			<b>74,503</b>	<b>14,215</b>
<b>AMORTIZATION OF PROPERTY AND</b>				
<b>EQUIPMENT</b>			<b>(23,351)</b>	<b>(16,315)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE</b>				
<b>OVER EXPENDITURES</b>			<b>\$ 51,152</b>	<b>\$ (2,100)</b>

Statement of Changes in Net Assets

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**THE FRIENDS OF UNIVERSITY HOSPITALS**

Year ended March 31, 2020

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	Balance Beginning of Year	Excess of Revenue over Expenses	Investment in Property and Equipment	Interfund Transfers	Balance End of Year
<b>Operating Fund:</b>					
Invested in property and equipment	\$ 124,337	\$ (23,350)	\$ -	\$ -	\$ 100,987
Unrestricted	22,602	72,878	-	-	95,480
	146,939	49,528	-	-	196,467
<b>Internally Restricted:</b>					
Capital Improvements Project Fund	65,058	-	-	-	65,058
Contingency Fund	109,224	-	-	-	109,224
Nancy Lieberman Memorial Fund	(37,229)	-	-	-	(37,229)
McMullen Gallery Fund	93,317	1,624	-	-	94,941
Kaye Edmonton Clinic Art Acquisition Fund	21,715	-	-	-	21,715
	252,085	1,624	-	-	253,709
	\$ 399,024	\$ 51,152	\$ -	\$ -	\$ 450,176


Statement of Financial Position

**THE FRIENDS OF UNIVERSITY HOSPITALS**

March 31, 2020

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
<b>CURRENT</b>		
Cash (Note 4)	\$ 239,815	\$ 181,735
Restricted cash (Note 5)	65,919	144,808
Accounts receivable	3,009	160
Prepaid expense	1,730	1,920
Inventories	200,794	210,425
	511,267	539,048
<b>PROPERTY AND EQUIPMENT (Note 6)</b>	<b>100,987</b>	<b>124,337</b>
	<b>\$ 612,254</b>	<b>\$ 663,385</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	\$ 87,654	\$ 85,036
Goods and Services Tax payable	4,712	7,176
Deferred contributions (Note 7)	69,712	172,149
	162,078	264,361
<b>COMMITMENTS (Note 9)</b>		
<b>NET ASSETS</b>		
Invested in property and equipment	100,987	124,337
Internally restricted	253,709	252,085
Unrestricted	95,480	22,602
	450,176	399,024
	<b>\$ 612,254</b>	<b>\$ 663,385</b>

APPROVED BY THE BOARD

 Director  
 \_\_\_\_\_ Director

## Statement of Cash Flow

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### THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2020

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	<u>2020</u>	<u>2019</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers and donors	\$ 1,748,921	\$ 1,765,953
Cash paid to suppliers and employees	(1,776,413)	(1,797,316)
Interest received	6,684	5,610
Change in restricted cash balance	78,888	(63,005)
	<u>58,080</u>	<u>(88,758)</u>
NET INCREASE (DECREASE) IN CASH	58,080	(88,758)
CASH, BEGINNING OF YEAR	181,735	270,493
CASH, END OF YEAR	<u>\$ 239,815</u>	<u>\$ 181,735</u>



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**THE FRIENDS OF UNIVERSITY HOSPITALS**

Year ended March 31, 2020

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**Note 1**

Authority and Purpose

The Friends of the University Hospitals ("The Association") was incorporated as an association on April 25, 1986 under the Companies Act of the Province of Alberta. The Association is registered as a charitable organization with Canada Revenue Agency and is therefore exempt from income taxes.

The Association is dedicated to providing a caring, comforting hospital experience for patients, families, volunteers and staff supported by social enterprise and fund raising, innovative programs, community engagement and the arts.

Under the terms of its Memorandum of Understanding with Alberta Health Services, the Association manages and carry out the day-to-day activities associated with the operation of the Alberta Health Services art collection housed at the University Hospital. As at March 31, 2020 there were 2,021 works in the collection with an estimated value of \$2,728,129.

**Note 2**

Going Concern and  
the COVID-19 Pandemic

The recent outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Association or its donors, employees, contractors, suppliers, and other partners may be unable to conduct regular operations for an indefinite period of time. While it is not possible at this time to estimate the impact that COVID-19 could have on the Association's business, the continued spread of COVID-19 and the measures taken by the federal, provincial and municipal governments to contain its impact could adversely impact the Association's business, financial condition or results of operations. Specifically, operations have been temporarily suspended and the gift shop was closed to the public as of March 13, 2020. The extent to which the COVID-19 outbreak impacts the Association's results will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the spread of the virus and government actions. Amongst this uncertainty is the timing of reopening the Gift Shops, which cast material uncertainty on the Associations ability to continue as a going concern.

**Note 3**

Significant Accounting  
Policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). Significant accounting policies observed in the preparation of the financial statements are summarized below.

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**THE FRIENDS OF UNIVERSITY HOSPITALS**

Year ended March 31, 2020

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**Note 3**

**Significant**

Accounting Policies

continued. . .

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**Fund Accounting**

The accounts of the Association are maintained in accordance with the principles of fund accounting. Major fund groupings include:

- Operating Fund

This fund consists of the operating activities of the Association which includes the gift shop, support for the volunteer resources and The Artists in Health Care Program.

- Capital Improvement Projects Fund

This fund is internally restricted for capital expenditures expected to be incurred for various capital improvements to space controlled by the Association.

- Contingency Fund

This fund is internally restricted to pay for unanticipated expenses which are approved by the Board of Directors, insurance deductibles up to \$20,000, annual operating deficits and unanticipated repairs and maintenance to the Gift Shop and the McMullen Gallery that are not the responsibility of the University of Alberta Hospital.

- Nancy Lieberman Memorial Fund

This fund is internally restricted and provides grants for patient care and comfort at the University of Alberta Hospital.

- McMullen Gallery Fund

This fund is internally restricted by the Board of Directors. Revenue consists primarily of interest earned on the balance of the funds held on deposit.

- Kaye Edmonton Clinic - Art Acquisition Fund

This fund is internally restricted by the Board of Directors. Funds have been allocated from the McMullen Gallery Fund for the purpose of art acquisition and installation for the Kaye Edmonton Clinic Facility.

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**THE FRIENDS OF UNIVERSITY HOSPITALS**

Year ended March 31, 2020

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**Note 3**

Significant  
Accounting Policies  
continued. . .

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**Cash**

Cash consist of cash on hand and bank balances less cheques issued and outstanding.

**Revenue Recognition**

The Association follows the deferral method of accounting for contributions. Restricted contributions and the interest earned thereon are recognized as revenue in the period in which the related expenses are incurred. Unrestricted contributions and the interest earned thereon are recognized as revenue when received or receivable. Donations and other contributions are recorded as receivable if the amount to be received can be reasonably estimated and its collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Cash donations are recorded as revenue when they are received. Revenues from Gift Shop sales and Atrium sales are recognized at the time of sale. Revenues from the Casino and the HELPP fund are deferred and recognized as revenue when the expenses are incurred. Revenues from the sales of City of Edmonton bus passes in the Gift Shop are recognized at the time of sale and are recorded on a net basis, as the Association acts as an agent in the transaction between The City of Edmonton and the customer.

**Inventories**

Inventories are recorded at the lower of cost and net realizable value, with cost being determined principally on a weighted average basis. Inventory expensed in the year corresponds to the cost of sales as presented on the Statement of Operations.

**Property and Equipment**

The Association provides amortization on its property and equipment using the straight-line basis over the estimated useful lives of the assets at the following rates:

Gift shop	ten years
Equipment	ten years
Fixtures	five years
Website	ten years

In the year of purchase, amortization on capital assets is taken at one half of the normal amount.

Capital assets acquired during the year but not available for use are not amortized until they are in the location and condition necessary to operate.

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**THE FRIENDS OF UNIVERSITY HOSPITALS**

Year ended March 31, 2020

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**Note 3**

Significant  
Accounting Policies  
continued. . .

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**Measurement Uncertainty**

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates relate to amortization of property and equipment, collectibility of accounts receivable, and inventory costing, net realizable value and obsolescence. Actual results could differ from those estimates.

**Financial Instruments**

All financial instruments are initially measured at fair value, and unless, otherwise noted, the Association subsequently measures its financial instruments at amortized cost.

**Allocated Expenditures**

Expenditures which benefit more than one program of the Association are allocated among the functions. Salaries and benefits are allocated amongst funds based on hours spent. All other operating expenses are allocated amongst funds in accordance to the nature of each expenditure. General support expenses classified under "Operating Administration" and "Volunteers" on the Statement of Operations are not allocated. The Association does not incur any direct fundraising expenses.

**Contributed Materials and Services**

Contributed materials are only recognized in the financial statements when the fair value can be reasonably estimated and when the materials would otherwise have been purchased. Volunteers contribute numerous hours in carrying out the activities of the Association. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

**Note 4**

Cash

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Cash balances are maintained in interest bearing chequing accounts earning interest at TD Canada Trust's composite prime rate (2.25% as of March 31, 2020) less 1.01%.

## Notes to the Financial Statements

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### THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2020

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#### Note 5

##### Restricted Cash

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Restricted cash consists of cash maintained in interest bearing chequing accounts earning interest at TD Canada Trust's composite prime rate (2.25% as of March 31, 2020) less 1.01%. Included in restricted cash are the following accounts, which are subject to restrictions by the Alberta Gaming and Liquor Commission.

	<u>2020</u>	<u>2019</u>
HELPP fund account	\$ 49,692	\$ 92,574
Casino fund account	16,227	52,234
	<u>\$ 65,919</u>	<u>\$ 144,808</u>

#### Note 6

##### Property and Equipment

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	<u>2020</u>		<u>2019</u>	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Gift shop	\$ 437,661	\$ 343,397	\$ 94,264	\$ 110,215
Equipment	24,042	22,820	1,224	1,412
Fixtures	10,757	9,753	1,004	2,684
Website	6,915	2,420	4,495	5,186
	<u>\$ 508,926</u>	<u>\$ 407,941</u>	<u>\$ 100,987</u>	<u>\$ 140,653</u>

#### Note 7

##### Related Party Transactions

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The Association provides donations of money and services to the University of Alberta Hospital Site (the "Hospital"). These donations allow the Hospital to provide patient services, equipment, education and research not funded from other sources. During the year, the Association did not allocate funds in donations (2019 - \$641). At year end, there was a deficit of \$37,229 (2019 - deficit of \$37,229) in the Nancy Lieberman Memorial Fund.

In addition, the Association reimbursed the Hospital for the cost of certain salaries, benefits and general services provided amounting to \$660,942; (2019 - \$694,317). At year end, accounts payable included balances payable to the Hospital of \$52,834; (2019 - \$44,977).

The Association operates out of the University of Alberta Hospital site. There is no rent paid to the Hospital. Additional services provided by the Hospital without consideration include IT services, phone and fax machine services, utilities and general insurance.

## Notes to the Financial Statements

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### THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2020

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#### Note 8

##### Deferred Contributions

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	Beginning of the year	Receipts	Disbursements	2020
HELPP Fund	\$ 92,574	\$ -	\$ 42,882	\$ 49,692
NAUC Project	14,315	-	14,315	-
Haryett Phase II Project	11,789	-	11,789	-
MAZ PCICU Project	1,237	-	1,237	-
Casino Proceeds	52,234	742	40,090	12,886
Artist on the Ward	-	7,134	-	7,134
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 172,149	\$ 7,876	\$ 110,313	\$ 69,712

Included in Casino proceeds are contributions restricted by the Alberta Gaming and Liquor Commission to assist in the payment of the Association's monthly salary expense. HELPP fund contributions are also restricted by the Alberta Gaming and Liquor Commission and are to be remitted to the University Hospital for the purpose of purchasing medical equipment. Included in the NAUC project, the Haryett Phase II project and the MAZ PCICU project were contributions restricted by the University Hospital Foundation for artwork purchases and installation, however in the current year these projects were suspended and remaining funds were recognized into revenue. Funding for Artist on the Ward was restricted for use for its 20th anniversary project.

#### Note 9

##### Commitments

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The Association's operations are dependent upon the University of Alberta Hospital Site providing the retail space for the gift shop and the office facilities. This dependence and other respective responsibilities are outlined in a memorandum of understanding with Alberta Health Services. The Association has no (2019 - \$nil) outstanding commitments in grants out of the Nancy Lieberman Memorial Fund.

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**THE FRIENDS OF UNIVERSITY HOSPITALS**

Year ended March 31, 2020

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**Note 10**

**Financial Instruments**

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The Association is exposed to various risks through its financial instruments. The following analysis provides information about the Association's risk exposure and concentration as of March 31, 2020. Unless otherwise noted, the Association's risk exposure has not changed from the prior year.

**Credit Risk**

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to the credit risk from customers and the maximum exposure to this risk is the carrying value of accounts receivable on the balance sheet. In order to reduce its credit risk. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has limited receivables and therefore credit risk is normal.

**Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the market interest rates. The Association is exposed to interest rate risk primary through its bank accounts.

**Note 11**

**Volunteer Labour**

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Through the Volunteer Services of the University of Alberta Hospital Site, an estimated total of 13,513; (2019 - 14,656) hours were contributed to the University Hospital by the Association. Due to the difficulty of determining the fair value of contributed services, they are not recognized in the financial statements.