THE FRIENDS OF UNIVERSITY HOSPITALS

Financial Statements

Year Ended March 31, 2016

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THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

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June 23, 2016
Edmonton, Alberta

Independent Auditor's Report

To the Members of The Friends of University Hospitals:

We have audited the accompanying financial statements of The Friends of University Hospitals, which comprise the statement of financial position as at March 31, 2016 and the statements of operations, changes in net assets and cash flow 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 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 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 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 is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis of Qualified Opinion

In common with many charitable organizations, the organization derives revenue from donations, 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 organization and we were not able to determine whether any adjustments might be necessary to grants and donation income, deficiency of revenues over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of The Friends of University Hospitals as at March 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Kingston Ross Pasnak LLP

Kingston Ross Pasnak LLP
Chartered Accountants

Statement of Operations

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

	2016	2015
SALES	$ 1,412,758	$ 1,372,826
Less: Cost of sales	876,472	818,907
GROSS PROFIT ON SALES	536,286	553,919
OTHER REVENUE (EXPENSES)		
Atrium revenue	125,027	128,159
Gift shop salaries and benefits	(218,829)	(219,985)
GIFT SHOP CONTRIBUTION	442,484	462,093

EXPENDITURES	Operating Administration	Volunteers	Arts in Health Care	Grants to U of A Hospital		
Salaries and benefits	$ 169,060	$ 56,353	$ 309,581	-	534,994	528,103
Grants paid to UAH (Note 6)	-	-	-	85,691	85,691	119,335
Other	57,294	703	26,550	-	84,547	116,919
Volunteer travel and meals	-	38,624	-	-	38,624	39,259
Professional fees	14,704	-	15,036	-	29,739	27,137
	241,058	95,680	351,167	85,691	773,595	830,753
REVENUE						
Grants and donations	(9,973)	-	(165,422)	(3,439)	(178,834)	(226,705)
Fundraising	(10,165)	-	(17,999)	-	(28,164)	(36,068)
Interest	(5,989)	-	(901)	-	(6,890)	(11,860)
	(26,127)	-	(184,322)	(3,439)	(213,888)	(274,633)
Net cost	$ 214,931	$ 95,680	$ 166,845	$ 82,252	559,707	556,120
DEFICIENCY OF REVENUE OVER EXPENDITURES BEFORE AMORTIZATION					(117,223)	(94,027)
AMORTIZATION OF PROPERTY AND EQUIPMENT					(10,271)	(6,673)
DEFICIENCY OF REVENUE OVER EXPENDITURES					**$ (127,494)**	**$ (100,700)**

Statement of Changes in Net Assets

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

	Balance Beginning of Year	(Deficiency) Excess of Revenue over Expenses	Investment in Property and Equipment	Interfund Transfers	Balance End of Year
Operating Fund:					
Invested in property and equipment	$ 11,536	$ (10,271)	$ 176,707	$ -	$ 177,972
Unrestricted	99,389	(32,433)	-	(3,439)	63,517
	110,925	(42,704)	176,707	(3,439)	241,489
Internally Restricted:					
Capital Improvements Project Fund	241,765	-	(176,707)	-	65,058
Contingency Fund	154,913	-	-	-	154,913
Nancy Lieberman Special Purpose Fund	95,966	(85,691)	-	3,439	13,714
McMullen Gallery Fund	94,815	901	-	-	95,716
Kaye Edmonton Clinic Art Acquisition Fund	26,715	-	-	-	26,715
	614,174	(84,790)	(176,707)	3,439	356,116
	$ 725,099	$ (127,494)	$ -	$ -	$ 597,605

Statement of Financial Position

THE FRIENDS OF UNIVERSITY HOSPITALS

March 31, 2016

ASSETS		2016	2015
CURRENT			
Cash (Note 3)		$ 466,017	$ 614,533
Restricted cash (Note 4)		47,628	68,849
Term deposit		-	45,133
Accounts receivable		33,977	32,087
Prepaid expense		3,069	174
Inventories		187,239	137,996
		737,930	898,772
PROPERTY AND EQUIPMENT (Note 5)		177,972	11,536
		$ 915,902	$ 910,308
LIABILITIES AND NET ASSETS			
CURRENT			
Accounts payable and accrued liabilities (Note 6)	$ 264,245	$ 107,550	
Goods and Services Tax payable		6,424	7,310
Deferred contributions (Note 7)		47,628	70,349
		318,297	185,209
COMMITMENTS (Note 8)			
NET ASSETS			
Invested in property and equipment		177,972	11,536
Internally restricted		356,116	614,174
Unrestricted		63,517	99,389
		597,605	725,099
		$ 915,902	$ 910,308

APPROVED BY THE BOARD

_____ Director

_____ Director

Statement of Cash Flow

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES		
Cash receipts from customers and donors	$ 1,742,242	$ 1,736,189
Cash paid to suppliers and employees	(1,787,295)	(1,843,251)
Interest received	6,890	11,860
	(38,163)	(95,202)
Purchase of property and equipment	(176,707)	(910)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(214,870)	(96,112)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	728,515	824,627
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 513,645	$ 728,515
CASH AND CASH EQUIVALENTS CONSISTS OF:		
Cash	$ 466,017	$ 614,533
Restricted cash	47,628	68,849
Term deposit	-	45,133
	$ 513,645	$ 728,515

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

Note 1
Authority and Purpose

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

The Friends are 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 Friends manage 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, 2016 there were 1798 works in the collection with an estimated value of $2,300,000.

Note 2
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.

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

Note 2
Significant
Accounting Policies
continued. . .

Fund Accounting
The accounts of The Friends 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 Friends 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 Friends.

- 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 Special Purpose 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.

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

Note 2
Significant
Accounting Policies
continued. . .

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, restricted cash and bank balances.

Revenue Recognition
The Friends follows the restricted fund method of accounting for contributions. Restricted contributions and the interest earned thereon are recognized as revenue in the fund to which it relates. 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. 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.

Inventories
Inventories are recorded at the lower of cost and net realizable value, with cost being determined principally on a first-in, first-out basis.

Property and Equipment
The Friends 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
Computer equipment	three years
Fixtures	five years
Equipment	ten years
Computer software	two years

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

Note 2
Significant
Accounting Policies
continued. . .

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 obsolescence. Actual results could differ from those estimates.

Financial Instruments
All financial instruments are initially measured at fair value, and unless, otherwise noted, The Friends subsequently measures its financial instruments at amortized costs.

Allocated Expenditures
Expenditures which benefit more than one program of the Friends are allocated among the functions. General support expenses classified under "Operating Administration" and "Volunteers" on the Statement of Operations are not allocated. The organization 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 Friends. Due to the difficulty in determining the fair value, contributed services are not recognized in the financial statements.

Note 3
Cash

Cash balances are maintained in interest bearing chequing accounts earning interest at TD Canada Trust's composite prime rate (2.00% as of March 31, 2016) less 1.30%.

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

Note 4
Restricted Cash

Restricted cash consists of cash maintained in interest bearing chequing accounts earning interest at TD Canada Trust's composite prime rate less 1.30%. Included in restricted cash are the following accounts, which are subject to restrictions by the Alberta Gaming and Liquor Commission.

	2016	2015
HELPP fund account	$ 46,113	$ 27,665
Casino fund account	1,515	41,184
	$ 47,628	$ 68,849

Note 5
Property and Equipment

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Gift shop	$ 437,097	$ 279,395	$ 157,702	$ 450
Computer equipment	25,102	11,944	13,158	10,231
Fixtures	8,077	1,010	7,067	-
Equipment	22,160	22,115	45	855
	$ 497,002	$ 319,030	$ 177,972	$ 11,536

Note 6
Related Party Transactions

The Friends 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 Friends approved and allocated funds for $85,691 in donations. At year end, $73,714 (2015 - $95,966) was remaining in the Nancy Lieberman Special Purpose Fund.

In addition, The Friends reimbursed the Hospital for the cost of certain salaries, benefits and general services provided amounting to $753,822; (2015 - $748,088). At year end, accounts payable included balances payable to the Hospital of $238,665; (2015 - $89,916).

The Friends operates out of the University of Alberta Hospital site. There is no rent paid to the Hospital.

THE FRIENDS OF UNIVERSITY HOSPITALS

Year ended March 31, 2016

Note 7
Deferred Contributions

	2016	2015
HELPP Fund	$ 46,113	$ 27,665
Casino Proceeds	1,515	41,184
Artist residence	-	1,500
	$ 47,628	$ 70,349

Deferred casino proceeds are funds held in the casino account, net of accounts payable, that will be paid out of this account.

Note 8
Commitments

The Friends 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 Friends have $2,822 (2015 - $85,648) outstanding commitments in grants out of the Nancy Lieberman Special Purpose Fund.

Note 9
Financial Instruments

The Friends is exposed to various risks through its financial instruments. The following analysis provides information about Friends' risk exposure and concentration as of March 31, 2016. Unless other noted, Friends' 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 Friends 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, The Friends reviews a new customer's credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Friends have 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. Friends is exposed to interest rate risk primary through its bank accounts.

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Year ended March 31, 2016

Note 10
Volunteer Labour

Through the Volunteer Services of the University of Alberta Hospital Site, an estimated total of 61,343; (2015 - 59,574) hours were contributed to the University Hospital by The Friends. Due to the difficulty of determining the fair value of contributed services, they are not recognized in the financial statements.

Note 11
Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.