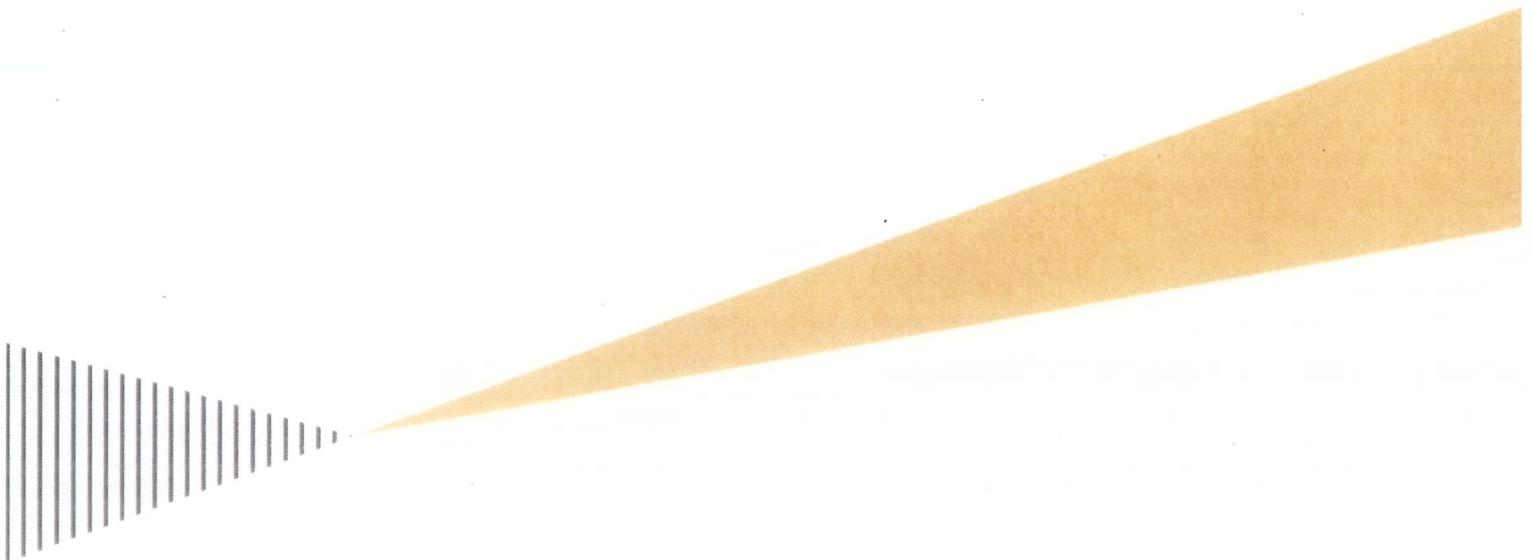


Financial Statements

Calgary Health Trust
March 31, 2016



Building a better
working world

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of **Calgary Health Trust**

We have audited the accompanying financial statements of **Calgary Health Trust**, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and changes in fund balances, accumulated remeasurement gains 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 public sector accounting standards, 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.

Auditors' 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 auditors' 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 auditors consider internal controls 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, the financial statements present fairly, in all material respects, the financial position of **Calgary Health Trust** as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Calgary, Canada
May 25, 2016

Chartered Professional Accountants

Calgary Health Trust

STATEMENT OF FINANCIAL POSITION


As at March 31

	2016	2015
	\$	\$
ASSETS		
Cash <i>[note 3]</i>	58,476,370	55,988,670
Amounts receivable <i>[note 4]</i>	376,139	1,809,487
Prepaid expenses <i>[note 5]</i>	602,968	591,270
Portfolio investments, at market value <i>[note 6]</i>	46,364,676	45,556,029
Other assets <i>[note 9]</i>	1,457,095	1,534,286
	<u>107,277,248</u>	<u>105,479,742</u>
LIABILITIES		
Accounts payable and accrued liabilities <i>[note 10]</i>	4,018,520	2,058,643
Charitable disbursements payable <i>[note 10]</i>	813,394	707,409
Deferred revenue	11,514,010	12,931,103
	<u>16,345,924</u>	<u>15,697,155</u>
Commitments <i>[note 9]</i>		
FUND BALANCES		
General	8,578,063	5,539,991
Restricted	55,745,374	54,457,940
Endowments <i>[note 7]</i>	28,897,028	24,080,137
	<u>93,220,465</u>	<u>84,078,068</u>
Accumulated remeasurement gains (losses)	(2,289,141)	5,704,519
	<u>107,277,248</u>	<u>105,479,742</u>

See accompanying notes

On behalf of the Board:


Trustee


Trustee

Calgary Health Trust

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended March 31

	General Fund		Restricted Fund		Endowment Fund		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	362,169	3,568	7,388,955	6,365,500	111,599	225,778	7,862,723	6,594,846
Events and lotteries	854,770	660,705	30,286,615	28,608,309	-	-	31,141,385	29,269,014
	1,216,939	664,273	37,675,570	34,973,809	111,599	225,778	39,004,108	35,863,860
Grants – Alberta Health Services [note 10a]	2,413,395	3,715,843	-	-	-	-	2,413,395	3,715,843
Grants – Other Government	2,335	3,306	41,451	-	-	-	43,786	3,306
Investment income [note 8]	3,806,358	945,910	1,877,381	2,595,196	3,317,140	54,487	9,000,879	3,595,593
	7,439,027	5,329,332	39,594,402	37,569,005	3,428,739	280,265	50,462,168	43,178,602
Expenses								
Operating expenses [note 11]	5,893,115	5,134,710	235,510	169,746	-	-	6,128,625	5,304,456
Events and lotteries	-	-	19,419,151	18,313,837	-	-	19,419,151	18,313,837
	5,893,115	5,134,710	19,654,661	18,483,583	-	-	25,547,776	23,618,293
Excess of revenue over expenses before charitable disbursements	1,545,912	194,622	19,939,741	19,085,422	3,428,739	280,265	24,914,392	19,560,309
Charitable disbursements								
Alberta Health Services [note 10a]	-	-	12,086,591	9,540,524	-	-	12,086,591	9,540,524
Return of disbursements [note 10a]	-	-	(851,655)	(1,726,951)	-	-	(851,655)	(1,726,951)
University of Calgary [note 10b]	-	-	3,512,321	15,142,577	-	-	3,512,321	15,142,577
Alberta Bone & Joint Health Institute	-	-	184,667	-	-	-	184,667	-
Prostate Cancer Foundation	-	-	726,650	726,250	-	-	726,650	726,250
Other organizations	-	-	113,421	66,489	-	-	113,421	66,489
	-	-	15,771,995	23,748,889	-	-	15,771,995	23,748,889
Excess (deficiency) of revenue over expenses and charitable disbursements	1,545,912	194,622	4,167,746	(4,663,467)	3,428,739	280,265	9,142,397	(4,188,580)
Fund balances, beginning of year	5,539,991	5,187,750	54,457,940	59,604,266	24,080,137	23,474,632	84,078,068	88,266,648
Inter-fund transfers [note 12]	1,492,160	157,619	(2,880,312)	(482,859)	1,388,152	325,240	-	-
Fund balances, end of year	8,578,063	5,539,991	55,745,374	54,457,940	28,897,028	24,080,137	93,220,465	84,078,068

See accompanying notes

Calgary Health Trust

STATEMENT OF ACCUMULATED REMEASUREMENT GAINS

Year ended March 31

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Accumulated remeasurement gains at beginning of year	<u>5,704,519</u>	<u>4,210,842</u>
Unrealized gains (losses) attributable to:		
Portfolio investments	(809,197)	3,106,195
Realized gains reclassified to the statement of operations:		
Portfolio investments	(7,184,463)	(1,612,618)
	<u> </u>	<u> </u>
Net remeasurement gains (losses) for the year	<u>(7,993,660)</u>	<u>1,493,677</u>
Accumulated remeasurement gains (losses) at end of year	<u>(2,289,141)</u>	<u>5,704,519</u>

See accompanying notes

Calgary Health Trust

STATEMENT OF CASH FLOWS

Years ended March 31

	<u>2016</u>	<u>2015</u>
	<u>\$</u>	<u>\$</u>
Operating transactions		
Cash received from:		
Operating grants	-	2,292
Donations	7,876,178	6,423,745
Events and lotteries	30,985,410	29,356,964
	<u>38,861,588</u>	<u>35,783,001</u>
Cash paid for:		
Operating expenses	3,745,682	1,717,916
Events and lotteries	19,169,729	18,450,010
Charitable disbursements	13,657,047	22,693,330
	<u>36,572,458</u>	<u>42,861,256</u>
Cash provided by (used in) operating transactions	<u>2,289,130</u>	<u>(7,082,235)</u>
Investing transactions		
Investment income	9,000,879	3,595,593
Investments sold (purchased), net	(8,802,309)	35,252,673
Cash provided by (used in) investing transactions	<u>198,570</u>	<u>38,848,266</u>
Net increase in cash during the year	<u>2,487,700</u>	<u>31,766,031</u>
Cash beginning of year	<u>55,988,670</u>	<u>24,222,639</u>
Cash end of year	<u>58,476,370</u>	<u>55,988,670</u>

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

1. NATURE OF ORGANIZATION

Calgary Health Trust (the "Trust") is a not-for-profit organization and a registered charity established under the *Income Tax Act (Canada)*. It is a controlled entity of Alberta Health Services and subject to the provisions of the *Regional Health Authorities Act Foundations Regulation*.

The primary purpose of the Trust is to coordinate fundraising efforts for the benefit of health programs and other health initiatives within the Calgary area. The Trust also invests and manages designated endowment funds.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Canadian Public Sector Accounting Standards ("PSAS") which sets out generally accepted accounting principles for government not-for-profit organizations in Canada. The Trust has chosen to use the standards for government not-for-profit organizations that include PSAS 4200 to 4270. The financial statements have been prepared based on the significant accounting policies summarized below:

a) Fund accounting

For financial reporting purposes, the accounts of the Trust have been classified into the following funds:

(i) *General Fund*

The General Fund accounts for the operating activities of the Trust.

(ii) *Restricted Fund*

The Restricted Fund accounts for donations and grants that are donor designated for specified programs, sites and organizations. All funds held in the Restricted Fund are available to be disbursed for the designated charitable purpose.

(iii) *Endowment Fund*

The Endowment Fund accounts for donations and investment income that are to be held permanently by the Trust as directed by donors or the Board of Trustees.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

b) Cash

Cash includes cash on hand including cash from lottery net proceeds from previous lotteries and lottery ticket sales from the current Foothills Hospital Home Lottery. Lottery proceeds follow Alberta Gaming guidelines and are held in separate interest-bearing bank accounts. Cash held for investing activities by fund managers is included in investments.

c) Financial instruments.

Investments have been categorized as fair value and are recorded at market value. The Trust's investments are held in investment pooled funds which are professionally managed in accordance with the Trust's investment policies.

Transaction costs are recognized in the statement of operations in the period during which they are incurred.

Other financial instruments, including amounts receivable, accounts payable and accrued liabilities and charitable disbursements payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

The Trust measures the fair market value of its financial assets based on their classification in a hierarchy comprising three levels, described as follows:

- Level 1: Valuations based on quoted prices (unadjusted) in active markets for identical assets;
- Level 2: Valuations based on directly or indirectly observable inputs in active markets for similar assets, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3: Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Other assets

Other assets consist of costs related to future fundraising events and lotteries. These costs are expensed when the fundraising events and lotteries are held. Other assets also consist of the cash surrender value of life insurance policies. The annual premiums are paid by donors. As the realizable amount of such policies in excess of the cash surrender value is not certain, the Trust will record the benefits in excess of the cash surrender value when the proceeds are known.

e) Deferred revenue

Revenue related to lotteries for which prize draws take place after March 31, and fundraising for events that will take place subsequent to the year-end are deferred. Deferred revenue will be recognized when the fundraising events and lotteries are held.

f) Revenue recognition

The Trust follows the restricted fund method of accounting for contributions. Grants, bequests and other donations are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledged donations are recorded in the year received, since pledges are not legally enforceable claims. Externally restricted contributions, except endowment contributions, are recognized as revenue of the Restricted Fund when initially recorded in the accounts. Unrestricted contributions are recognized as revenue of the General Fund when initially recorded in the accounts. Externally restricted endowment contributions are recognized as revenue of the Endowment Fund in the current year.

Investment income (loss) includes dividend, interest income, income distributions from pooled funds and realized gains or losses on the sale of investments. Unrealized gains and losses on investments are recognized in the statement of accumulated remeasurement gains (losses) until the related investments are sold. Once realized these gains or losses are recognized in the statement of operations. 1% of investment income earned on Endowment Fund resources is recognized in the General Fund for administration fees and amounts that are available for allocation is recognized as revenue of the Restricted Fund. Unrestricted investment income earned on internally restricted Endowment Fund resources is recognized as revenue of the General Fund and investment income earned to reinvest is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund.

g) Contributed materials and services

Volunteers contribute a significant amount of time each year to assist the Trust in carrying out its activities; however, the value of volunteer time is not recognized in these financial statements because fair market value cannot be reasonably determined. Donated supplies and gifts-in-kind are valued based on fair market value when it is reasonably determinable.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

3. CASH

	March 31, 2016	March 31, 2015
	\$	\$
Cash		
General Fund	9,193,111	6,051,188
Restricted Fund	49,281,085	49,343,056
Endowment Fund	2,174	594,426
	<u>58,476,370</u>	<u>55,988,670</u>

Cash held in the Restricted Fund includes lottery net proceeds from previous lotteries, lottery ticket sales from the current Foothills Hospital Home lottery and funds awaiting disbursement. The funds previously held in short term bonds and money market funds have been converted to cash in the prior year and are being held in a prime interest bank account pending review and re-investment. The Trust has received permission from Alberta Gaming and Liquor Commission (AGLC) to defer disbursement of \$5.8 million for projects that will not be completed before 2019. The value of the lottery in progress is \$9.1 million. \$31.4 million is held in high interest (2016 – 1%; 2015 – 1%) accounts pending investment in short term instruments.

4. AMOUNTS RECEIVABLE

	March 31, 2016	March 31, 2015
	\$	\$
GST	213,402	201,061
Declared return of charitable disbursements	-	1,096,204
Other	162,737	512,222
	<u>376,139</u>	<u>1,809,487</u>

The declared return of charitable disbursements represent equipment purchases not completed or completed at less than quoted prices and programs that no longer exist but the recipient is holding residual dollars to be returned to the Trust.

Calgary Health Trust

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

5. PREPAID EXPENSES

	March 31, 2016	March 31, 2015
	\$	\$
Lottery prizes and expenses	260,285	256,705
Event deposits & prepaid contracts	342,683	334,565
	<u>602,968</u>	<u>591,270</u>

6. FINANCIAL INSTRUMENTS

The Trust's portfolio investments consist of the following categories:

	March 31, 2016	<u>Market value</u> March 31, 2015
	\$	\$
Level 1		
Canadian equities	226	-
Total Level 1	<u>226</u>	<u>-</u>
Level 2		
Letko Brosseau RSP Balanced Fund <i>[asset allocation below]</i>	-	23,810,675
Jarislowsky Fraser Bond Pooled Fund	7,685,956	8,016,340
Jarislowsky Fraser Canadian Equity Fund	13,539,257	13,729,014
Jarislowsky Fraser Global Equity Fund	25,139,237	-
Total Level 2	<u>46,364,450</u>	<u>45,556,029</u>
Total portfolio investments	<u>46,364,676</u>	<u>45,556,029</u>

The asset allocation of the Level 2 funds as at March 31, 2016 is as follows: Short term 3.00% (2015: 3.40%); bonds 34.60% (2015: 31.06%); Canadian equities 40.50% (2015: 38.36%); and non-Canadian equities 21.90% (2015: 27.18%). The funds previously held in short term bonds and money market funds have been converted to cash during this fiscal period and are being held in a prime interest bank account pending review and re-investment.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

6. FINANCIAL INSTRUMENTS (CONTINUED)

During the year, donations of securities received by the Trust were liquidated and the net proceeds were disbursed for charitable purposes or reinvested in professionally managed pooled funds.

Within the pooled funds, Treasury bills, commercial paper, bankers' acceptances, and discount notes mature between six days and one year and bear interest at an average effective yield of 0.80%.

Publicly traded fixed-income instruments in the funds are managed with the objective of providing optimal returns while maintaining maximum security of capital. Return is optimized within risk constraints through the management of duration and issuer mix. The bonds held within the bond fund bear interest at an average effective yield of 3.20%.

Equity investments in the funds are managed with the objective of providing a diversified approach towards obtaining risk-adjusted returns through complete business cycles. Diversification is achieved through investing across an assortment of countries and sectors. The equity funds offer growth and, being long-term in nature, are ideal for protecting the Trust's investment capital from the effects of inflation.

Foreign securities are translated into Canadian dollars at the exchange rate in effect on the last day of the fiscal year.

Foreign currency risk

The Trust is exposed to foreign currency risk from possible negative fluctuations in foreign currency rates related to investments in foreign securities.

Interest rate risk

The Trust is exposed to interest rate risk from holding securities with a fixed rate of interest and a specified maturity date.

Credit risk

The Trust is exposed to credit risk in connection with its short-term and fixed-income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk

The Trust is exposed to liquidity risk in that it could encounter difficulty in meeting obligations associated with its financial liabilities.

Other price risk

The Trust is exposed to other price risk through changes in market prices, other than changes arising from interest rate or currency risks, in connection with its investments in equity securities and pooled funds.

Foreign currency, credit and interest rate risks are managed by the Trust's investment policies and through the use of professional portfolio managers whose performance is reviewed regularly.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

7. ENDOWMENTS

Endowment net assets represent resources that are required by the donor or the Board of Trustees to be maintained by the Trust on a permanent basis.

Endowment net assets consist of the following:

	March 31, 2016	March 31, 2015
	\$	\$
Externally restricted	20,840,999	21,028,012
Internally restricted by the Board of Trustees	6,977,763	6,740,241
Subtotal	27,818,762	27,768,283
Accumulated remeasurement losses (gains)	1,078,266	(3,688,146)
Balance, end of year	28,897,028	24,080,137

The Trust has a policy designed to protect the real value of endowments by limiting the amount of investment income made available for spending in the following year to the lower of the investment income earned or 5% of the ending endowment balance at March 31 of the current year. Endowment funds incur a 1% administration cost which is recorded in the General Fund. The balance remaining is reinvested, as are any funds not disbursed within the timeframe allocated for spending. Reinvested investment income is recorded in the Endowment Fund.

In fiscal 2016, investment income on externally restricted endowment net assets was \$3,974,883 [2015 - \$1,556,483] which was recorded as revenue in the statement of operations. The amount of \$376,236 [2015 - \$1,437,850] was made available for spending and recorded in the Restricted Fund, and \$3,317,140 [2015 - \$54,487] was reinvested into the Endowment Fund [note 8].

In fiscal 2016, investment income on internally restricted endowment net assets was \$1,161,737 [2015 - \$421,041]. This amount was recorded as revenue in the General Fund in the statement of operations. An amount of \$24,657 [2015 - \$337,006] was transferred to the Restricted Fund, representing the investment income made available for spending and \$1,137,080 was inter-fund transferred to the Endowment Fund [2015 - \$84,035] representing the amount reinvested.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

8. INVESTMENT INCOME ALLOCATION

Investment Income allocation 2016

	\$						2015 \$
	Investment Income	Internally Restricted Endowments	Restricted Income Allocation	Restricted Disbursement Allocation	Administration Fee	Total	
General Fund	67,441	1,161,737	2,219,689	-	357,491	3,806,358	945,910
Restricted Fund	3,796,818	-	(2,219,689)	376,236	(75,984)	1,877,381	2,595,196
Endowment Fund [note 7]	5,136,620	(1,161,737)	-	(376,236)	(281,507)	3,317,140	54,487
	9,000,879	-	-	-	-	9,000,879	3,595,593

Investment income earned on restricted investments that do not have an investment income allocation agreement is recognized in the General Fund.

9. COMMITMENTS

Prior to March 31, 2016, the Trust committed to carrying out the 2016 Foothills Hospital Home Lottery. As at March 31, 2016, the lottery was in progress with deferred lottery costs of \$1,176,545 [2015 - \$1,084,114] recorded in other assets in the statement of financial position. In addition, as at March 31, 2016, the Trust has incurred expenses of \$1,315,953 [2015: \$1,264,621] and was committed to additional expenses for prizes and lottery operational costs of \$9,552,403 [2015 - \$9,741,390] to complete the lottery in fiscal 2016/17.

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

10. RELATED PARTY TRANSACTIONS

The following amounts related to Alberta Health Services are included in the accompanying financial statements. The returned disbursements represent equipment purchases not completed or completed at less than quoted prices and programs that no longer exist but the recipient is holding residual dollars to be returned to the Trust. As at March 31, 2016, there is accounts payable and charitable disbursements payable to Alberta Health Services totalling \$2,455,959 and \$813,394 [2015 - \$299,532 and \$633,952], respectively.

a)

	2016 \$	2015 \$
Grants received from Alberta Health Services for operating expenses		
- Gifts-in-kind - Other	2,019,189	3,311,971
- Gifts-in-kind - Rent	394,206	403,872
Total grants received	2,413,395	3,715,843
Charitable disbursements to Alberta Health Services		
- Cash	12,060,609	9,369,423
- Gifts-in-kind	25,981	171,101
	12,086,590	9,540,524
- Return of disbursements	(851,655)	(1,726,951)
Total charitable disbursements	11,234,935	7,813,573

b) Joint fundraising initiative

During fiscal 2006, the Trust entered into an agreement with the University of Calgary and Alberta Health Services for a joint fundraising initiative called Reach!. The agreement was made effective as of April 1, 2005 and was for a four year term to June 30, 2009. There are pledge commitments made to the Reach! campaign that extend to March 2017. The accompanying financial statements include pledged donation payments in the amount of \$499,760 [2015 - \$499,073] received by the Trust in support of this initiative. During the year, disbursements to the University of Calgary from the Reach! campaign totalled \$298,715 [2015 - \$11,901,086].

NOTES TO FINANCIAL STATEMENTS

March 31, 2016

11. OPERATING EXPENSES

Operating and restricted expenses of the Trust consist of the following:

	Operating \$	Restricted \$	2016 \$	2015 \$
Fundraising and donor stewardship	4,817,845	235,510	5,053,355	4,159,921
Organizational and volunteer support	611,854	-	611,854	662,422
Marketing and communications	257,941	-	257,941	254,251
Investment management and custodial fees	205,475	-	205,475	227,862
	5,893,115	235,510	6,128,625	5,304,456

12. INTER-FUND TRANSFERS

Inter-fund transfers consist of reallocations requested by the contributors and approved by the Board in accordance with the approved policy. These transfers include allocations to endowments from Restricted Funds for donors advising funds to be reinvested, from General Fund for internally restricted reinvestments into the Endowment Fund and an annual allocation of lottery proceeds to support administrative costs.

13. COMPARATIVE FIGURES

Certain of the 2015 amounts have been reclassified from their original presentation to conform to presentation adopted in 2016.