

Financial Statements of

**ROYAL ALEXANDRA
HOSPITAL FOUNDATION**

And Independent Auditor's Report thereon

Year ended March 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Members of Royal Alexandra Hospital Foundation

Opinion

We have audited the financial statements of Royal Alexandra Hospital Foundation (“the Entity”), which comprise:

- the statement of financial position as at March 31, 2023
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2023, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

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 auditor’s report.

We are independent of the Entity 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 these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises the information, other than the financial statements and the auditor’s report thereon, included in a document likely to be entitled the 2022-2023 Annual Report.



Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

The information, other than the financial statements and auditor's report thereon, included in a document likely to be entitled 2022-2023 Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 the 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 Entity'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 Entity'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 Entity 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line.

Chartered Professional Accountants

Edmonton, Canada

June 26, 2023

ROYAL ALEXANDRA HOSPITAL FOUNDATION

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ROYAL ALEXANDRA HOSPITAL FOUNDATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022


	2023	2022
Assets		
Current assets:		
Cash	\$ 3,707,170	\$ 559,724
Restricted cash (note 2)	9,919,757	11,487,216
Accounts receivable	868,333	455,642
Prepaid expenses and deposits	2,089,635	1,636,111
	<u>16,584,895</u>	<u>14,138,693</u>
Portfolio investments (note 3)	37,215,144	41,200,603
Land held for resale	14,500	14,500
	<u>\$ 53,814,539</u>	<u>\$ 55,353,796</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (notes 4 and 10)	\$ 6,311,439	\$ 5,051,752
Deferred revenue	3,914,832	4,114,764
	<u>10,226,271</u>	<u>9,166,516</u>
Fund balances:		
Endowment funds	26,056,760	24,423,422
Externally restricted funds	20,234,707	19,471,656
Internally restricted fund	1,417,056	1,417,056
Unrestricted funds (deficit)	(4,120,255)	875,146
	<u>43,588,268</u>	<u>46,187,280</u>
Commitments and pledges (note 9)		
	<u>\$ 53,814,539</u>	<u>\$ 55,353,796</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chair, Board of Directors



Chair, Finance, Audit and Risk Management
Committee

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2023, with comparative information for 2022

	Endowment funds	Externally restricted funds	Internally restricted fund	Unrestricted funds	2023 Total	2022 Total
Revenues:						
Charitable gaming (note 5)	\$ -	\$ 11,055,395	\$ -	\$ -	\$ 11,055,395	\$ 12,441,967
Fundraising	1,592,443	7,067,267	-	835,651	9,495,361	7,293,810
Realized investment income (note 6)	40,895	701,191	-	1,387,884	2,129,970	3,582,713
Other amounts (note 7)	-	-	-	19,232	19,232	(93,514)
	1,633,338	18,823,853	-	2,242,767	22,699,958	23,224,976
Expenditures:						
Charitable gaming (note 5)	-	7,458,385	-	367,692	7,826,077	6,762,278
Fundraising (note 11)	-	532,966	-	2,783,472	3,316,438	3,164,187
Administrative	-	-	-	1,131,210	1,131,210	1,211,368
	-	7,991,351	-	4,282,374	12,273,725	11,137,833
Excess (deficiency) of revenue over expenditures before the undernoted	1,633,338	10,832,502	-	(2,039,607)	10,426,233	12,087,143
Unrealized investment loss (note 6)	-	-	-	(2,330,058)	(2,330,058)	(1,540,961)
Distributions (note 8)	-	(10,230,203)	-	(464,984)	(10,695,187)	(11,121,188)
Excess (deficiency) of revenue over expenditures	1,633,338	602,299	-	(4,834,649)	(2,599,012)	(575,006)
Transfers authorized by the Board of Directors and donors	-	160,752	-	(160,752)	-	-
Fund balances, beginning of year	24,423,422	19,471,656	1,417,056	875,146	46,187,280	46,762,286
Fund balances, end of year	\$ 26,056,760	\$ 20,234,707	\$ 1,417,056	\$ (4,120,255)	\$ 43,588,268	\$ 46,187,280

See accompanying notes to financial statements.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenditures	\$ (2,599,012)	\$ (575,006)
Items not involving cash:		
Realized gains on portfolio investments	(617,280)	(846,640)
Unrealized losses on portfolio investments	2,330,058	1,540,961
Change in non-cash operating working capital:		
Accounts receivable	(412,691)	314,233
Prepaid expenses and deposits	(453,524)	(50,706)
Accounts payable and accrued liabilities	1,259,687	168,377
Deferred revenue	(199,932)	(924,297)
	<u>(692,694)</u>	<u>(373,078)</u>
Investments:		
Disposals of portfolio investments	3,700,000	1,750,000
Purchases of portfolio investments	(1,427,319)	(2,691,868)
	<u>2,272,681</u>	<u>(941,868)</u>
Increase (decrease) in cash position	1,579,987	(1,314,946)
Cash, beginning of year	12,046,940	13,361,886
Cash, end of year	<u>\$ 13,626,927</u>	<u>\$ 12,046,940</u>
Cash consists of:		
Unrestricted	\$ 3,707,170	\$ 559,724
Restricted (note 2)	9,919,757	11,487,216
	<u>\$ 13,626,927</u>	<u>\$ 12,046,940</u>

See accompanying notes to financial statements.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

Royal Alexandra Hospital Foundation (the "Foundation") is a non-profit company incorporated under Part 9 of the *Companies Act*, Chapter C-21, Revised Statutes of Alberta 2000, and is exempt from the limitations found in Part 4 of the *Hospitals Act*, Chapter H: 12, Revised Statutes of Alberta 2000 pursuant to Ministerial Order #50/86. 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.

The Royal Alexandra Hospital Foundation inspires charitable and philanthropic support for the Royal Alexandra Hospital (the "Hospital") and its medical centres of excellence, such as the Lois Hole Hospital for Women, CK Hui Heart Centre, Eye Institute of Alberta and Orthopedic Surgery Centre, among others. In doing so, the Foundation improves the health of Albertans - more than a million patients and their families who come to the Hospital, each year, for treatment and compassionate care.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook. The Foundation's significant accounting policies are as follows:

(a) Fund accounting:

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

Endowment funds - consists of donations and investment income for which the principal is permanently restricted.

Externally restricted funds - consists of funds, including the Foundation's share of the excess of revenues over expenditures of charitable gaming, upon which restrictions have been imposed by third parties. These funds include both unsolicited and solicited donations.

Internally restricted fund - consists of funds upon which restrictions have been imposed by the Board of Directors (the Board). These funds represent donations and income that were initially unrestricted but upon which the Board has placed restrictions for a specific priority program at the Hospital.

Unrestricted funds - consists of donations and investment income upon which no restrictions have been imposed by the donors or the Board. These funds are managed in accordance with general board policies and may be internally restricted through Board motion.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(b) Full House and Win Win Staff Lotteries:

The Foundation accounts for its interest in the Full House and the Win Win Staff Lotteries using the proportionate consolidation method. The Foundation partners with other charities in the operation of these lotteries. Therefore, the Foundation proportionately consolidates the assets, liabilities, and profit and loss of these lotteries.

(c) Cash:

Cash includes cash on hand. Cash held for investing purposes is included as part of portfolio investments.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all its portfolio investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Revenue recognition:

The Foundation follows the restricted fund method of accounting for contributions as follows:

- (i) Restricted contributions are recognized as revenue of the externally restricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(e) Revenue recognition (continued):

- (ii) Unrestricted contributions are recognized as revenue of the unrestricted fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (iii) Contributions for endowments are recognized as revenue in the endowment fund if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (iv) Pledges are recognized as revenue in the year when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.
- (v) Investment income earned on endowment fund resources that must be used in accordance with the condition imposed by the donor is recognized as revenue of the externally restricted fund. Investment income earned on endowment fund resources that must be permanently restricted is recognized as revenue of the endowment fund. Other investment income is recognized as revenue of the externally restricted and unrestricted funds when earned.

Revenue from lotteries is recognized upon completion of the lottery.

Government assistance is recognized as revenue when received or receivable. When government assistance relates to future expenses, the Foundation recognizes revenue in the year in which the related expenses are incurred.

(f) Contributed materials and services:

Contributed materials and services are recorded at fair value when they would have otherwise been purchased and when a fair value can be reasonably estimated. Contributed services of volunteers are not recognized in these financial statements as their fair value cannot be reasonably determined.

(g) Allocation of fundraising and general administration expenses:

The Foundation classifies expenses on the Statement of Operations by activity. The Foundation supports the Hospital through distributions of cash and human resources. Salary costs are allocated to certain funds based on actual hours incurred directly supporting the Hospital.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

1. Significant accounting policies (continued):

(h) Related party transactions:

Monetary related party transactions and non-monetary related party transactions that have commercial substance and occur in the normal course of business are measured at the exchange amount being the amount of consideration agreed upon by the relevant parties. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount. All other related party transactions are measured at the carrying amount.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates made in these financial statements include allowances for doubtful accounts. Actual results could differ from those estimates.

2. Restricted cash:

Restricted cash includes amounts related to the Full House Lottery, Win Win Staff Lottery and other charitable gaming activities, per AGLC gaming restrictions:

	2023		2022	
Full House Lottery (note 5)	\$	1,068,569	\$	1,599,295
Win Win Lottery (note 5)		673,471		700,536
Charitable gaming		8,177,717		9,187,385
	\$	9,919,757	\$	11,487,216

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

3. Portfolio investments:

	2023	2022
Fixed income:		
Mortgage funds	\$ 9,203,833	\$ 6,151,464
Bond funds	4,707,310	5,757,432
Short term deposits	39,296	39,296
Equities:		
Canadian equity funds	6,988,188	9,739,789
Global equity funds	14,362,838	17,604,468
Emerging markets funds	1,822,894	1,807,496
Cash held for investing purposes	90,785	100,658
	<u>\$ 37,215,144</u>	<u>\$ 41,200,603</u>

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities is government remittances payable of \$nil (2022 - \$63,482), which includes amounts for payroll related taxes.

5. Charitable gaming:

	2023	2022
Revenues:		
Full House Lottery	\$ 6,284,861	\$ 8,931,301
Win Win Staff Lottery	4,489,245	3,470,090
Casino	76,289	-
Charitable gaming interest revenue	205,000	40,576
	<u>11,055,395</u>	<u>12,441,967</u>
Expenditures:		
Full House Lottery	5,256,031	5,275,725
Win Win Staff Lottery	2,214,782	1,127,732
Charitable gaming administrative expenditures	355,264	358,821
	<u>7,826,077</u>	<u>6,762,278</u>
Excess of revenues over expenditures	<u>\$ 3,229,318</u>	<u>\$ 5,679,689</u>

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Charitable gaming (continued):

a) Full House Lottery joint venture:

The financial statements include the Foundation's proportionate share (50%) of the Full House Lottery as follows:

	2023	2022
Assets:		
Restricted cash	\$ 1,068,569	\$ 1,599,295
Accounts receivable	56,285	91,216
Prepaid expenses and deposits*	1,870,065	1,437,894
	<u>\$ 2,994,919</u>	<u>\$ 3,128,405</u>
Liabilities and Net Deficiency:		
Accounts payable and accrued liabilities	\$ 986,004	\$ 987,865
Deferred revenue **	3,387,308	3,417,242
	4,373,312	4,405,107
Net deficiency	(1,378,393)	(1,276,702)
	<u>\$ 2,994,919</u>	<u>\$ 3,128,405</u>

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Charitable gaming (continued):

a) Full House Lottery joint venture (continued):

	2023	2022
Revenues	\$ 6,284,861	\$ 8,931,301
Expenditures:		
2023 draw date	1,401,802	-
2022 draw date	3,854,229	1,281,240
2021 draw date	-	3,994,485
	5,256,031	5,275,725
Partner proceeds	1,130,521	3,722,717
Deficiency of revenues over expenditures and distributions	\$ (101,691)	\$ (67,141)
Cash from operating activities	\$ 991,267	\$ 1,579,100

* Prepaid expenses and deposits include purchased lottery prizes that will be awarded subsequent to the draw date of June 8, 2023 (2022 - June 30, 2022).

** Lottery revenues are deferred until the draw date of June 8, 2023 (2022 - June 30, 2022).

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

5. Charitable gaming (continued):

b) Win Win Staff Lottery:

The financial statements include the Foundation's proportionate share (50%) of the Win Win Staff Lottery as follows:

	2023	2022
Assets:		
Restricted cash	\$ 673,471	\$ 700,536
Accounts receivable	8,303	18,328
Prepaid expenses and deposits	33,312	39,424
	<u>\$ 715,086</u>	<u>\$ 758,288</u>
Liabilities and Net Assets:		
Accounts payable and accrued liabilities	\$ 16,122	\$ 62,244
Deferred revenue	529,286	547,535
	<u>545,408</u>	<u>609,779</u>
Net assets	169,678	148,509
	<u>\$ 715,086</u>	<u>\$ 758,288</u>
Revenues	\$ 4,489,245	\$ 3,470,090
Expenditures	2,214,782	1,127,732
Distributions	2,253,294	2,523,146
Deficiency of revenues over expenditures and distributions	<u>\$ (21,169)</u>	<u>\$ (180,788)</u>
Cash (used in) from operating activities	\$ (27,065)	\$ 140,337

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

6. Investment income:

	Endowment funds	Externally restricted funds	Unrestricted funds	2023 Total	2022 Total
Realized:					
Dividends	\$ 28,004	\$ 480,152	\$ 950,376	\$ 1,458,532	\$ 2,715,476
Interest	1,039	17,829	35,290	54,158	20,597
Realized gains	11,852	203,210	402,218	617,280	846,640
	40,895	701,191	1,387,884	2,129,970	3,582,713
Unrealized investment loss	-	-	(2,330,058)	(2,330,058)	(1,540,961)
	\$ 40,895	\$ 701,191	\$ (942,174)	\$ (200,088)	\$ 2,041,752

7. Other amounts:

	2023	2022
Canada Emergency Wage Subsidy, net of amounts returned	\$ -	\$ (133,644)
Other administrative revenue	19,232	40,130
	\$ 19,232	\$ (93,514)

8. Distributions:

During the year, the Foundation made the following distributions:

	2023	2022
Alberta Health Services	\$ 3,524,996	\$ 3,914,930
University of Alberta	1,749,083	2,059,495
Other charitable organizations*	5,421,108	5,146,763
Balance, end of year	\$ 10,695,187	\$ 11,121,188

*Included within distributions to other charitable organizations are \$2,253,294 (2022 - \$2,523,146) to the other foundations that participate in the Win Win Staff Lottery.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Commitments and pledges:

Commitments

Approved funding commitments of \$17,644,779 (2022 - \$20,254,506) will be carried forward as follows:

2024	\$	6,676,683
2025		2,883,096
Thereafter		8,085,000

Pledges

The Foundation has received pledges of \$2,070,917 (2022 - \$715,980) from donors. The amounts pledged are expected by the Foundation as follows:

2024	\$	838,471
2025		1,232,446
Thereafter		27,000

Government grants are recorded as revenue and receivable in the year in which they relate. Pledges from private donors are not recorded until received or until it is virtually certain amounts will be received. No amounts included in table above are recorded in accounts receivable as they have not met the aforementioned criteria.

10. Related party transactions:

Board members are volunteers who are affiliated with employers, partnerships and companies through pre-existing relationships. The Foundation may transact with these entities as service providers or donors through the normal course of operations. The Foundation has a conflict-of-interest process whereby these types of relationships are identified and communicated internally.

The Foundation provides donations of money and gifts in kind to Alberta Health Services (AHS) on behalf of the Hospital. These donations allow AHS to provide patient services, education, equipment and research not funded from other sources on behalf of the Hospital. The cash donations are included in distributions on the Statement of Operations and Changes in Fund Balances.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

10. Related party transactions (continued):

Accommodation, furnishings and certain other overhead costs incurred in the administration of the Foundation provided by AHS are not reasonably estimable and consequently are not reflected in these financial statements.

At year end, accounts payable and accrued liabilities includes \$106,150 (2022 - accounts receivable include \$48,067) with AHS for certain salaries and services paid by AHS on the Foundation's behalf. The Foundation's personnel are directly paid by AHS. All salary and benefit costs are charged to the Foundation. In the current year, the Foundation provided reimbursements to AHS for salaries and benefits of \$3,069,301 (2022 - \$2,996,575).

During the year, the Foundation made distributions of \$3,524,996 (2022 - \$3,914,930) to AHS on behalf of the Hospital (note 8).

11. Fundraising expenses and other:

As required under Section 7(2) of the Charitable Fundraising Act Regulation of Alberta, the Foundation discloses the expenses incurred for the purpose of soliciting contributions, which were \$3,316,438 (2022 - \$3,164,187). This amount includes total remuneration paid to employees of the Foundation whose principal duties involve fundraising of \$2,058,148 (2022 - \$1,935,476).

No single disposition of contributions equal to or exceeded 10% of the gross contributions received in the year (2022 - \$nil).

12. Employee benefits:

Employees of the Foundation participate in the Local Authorities Pension Plan (LAPP), which is one of the plans covered by the Public Sector Pension Plans Act. LAPP is financed by employer and employee contributions and by investment earnings of the LAPP fund. The Foundation is required to make current services contributions to LAPP of 8.45% (2021: 9.39%) of eligible pensionable earnings up to the year's maximum pension earnings and 12.80% (2021: 13.84%) on pensionable earnings above this amount. Employees of the Foundation are required to make current service contributions of 7.45% (2021: 8.39%) of pensionable salary up to the year's maximum pensionable salary and 11.80% (2021: 12.84%) on pensionable salary above this amount. Contributions for current service are recorded as expenses in the year in which they become due.

ROYAL ALEXANDRA HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Employee benefits (continued):

Total contributions by the Foundation to LAPP in 2022 were \$218,379 (2021: \$227,479). Total contributions by the employees of the Foundation to LAPP in 2022 were \$197,133 (2021: \$209,537). At December 31, 2022, LAPP reported an actuarial surplus of \$12.6 billion (2021: \$11.9 billion).

13. Financial risks:

Income and financial returns on investments are exposed to credit and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is comprised of interest rate, foreign exchange and market risk. Interest rate risk relates to the possibility that investments will change in value due to fluctuations in interest rates. Market and foreign exchange risk relate to the possibility that investments will change in value due to future fluctuations in market prices and foreign exchanges rates.

These risks are managed by the Foundation's investment policies, which prescribe the investment asset mix including the degree of liquidity and concentration and the amount of foreign content.

Changes in interest rates and credit ratings are the main cause of changes in the fair value of government securities and corporate bonds resulting in a favourable or unfavourable variance compared to book value. Credit risk is mitigated by investing in government securities and corporate bonds with a rating of A or better and diversifying the securities between government, government backed and corporate issuers. Interest rate risk is mitigated by managing maturity dates and payment frequency. The fair value of equities is impacted by price risk.

The Foundation limits credit risk associated with other financial assets, including accounts receivable, by dealing with counterparties that it believes are creditworthy.

The Foundation does not use derivative financial instruments to alter the effects of market interest or foreign exchange fluctuations, which affect these investments.

14. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.