

Financial Statements of

**UNIVERSITY HOSPITAL
FOUNDATION**

Year ended March 31, 2021



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INDEPENDENT AUDITORS' REPORT

To the Trustees of University Hospital Foundation

Opinion

We have audited the financial statements of University Hospital Foundation (the Entity), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and 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, 2021, 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 “**Auditors’ Responsibilities for the Audit of the Financial Statements**” section of our auditors’ 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.



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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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.

KPMG LLP

Chartered Professional Accountants

Edmonton, Canada

June 23, 2021

UNIVERSITY HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2021

Financial Statements

Statement of Financial Position	1
Statement of Operations and Changes in Fund Balances	2
Statement of Cash Flows	3
Notes to Financial Statements	4 - 14

UNIVERSITY HOSPITAL FOUNDATION

Statement of Financial Position

As at March 31, 2021, with comparative information for 2020


	2021	2020 (note 14)
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,794,994	\$ 17,248,095
Restricted cash (notes 3 and 4)	10,436,135	4,142,118
Accounts receivable (note 4)	649,284	249,465
Accrued interest receivable	311,208	568,376
Prepaid expenses and deposits	26,593	89,958
Other assets (note 4)	1,417,178	2,208,417
	<u>17,635,392</u>	<u>24,506,429</u>
Investments (note 5)	171,054,778	148,702,457
Equipment (note 6)	8,148	40,370
	<u>\$ 188,698,318</u>	<u>\$ 173,249,256</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (notes 4 and 7)	\$ 2,898,218	\$ 3,108,301
Deferred revenue (note 4)	4,701,375	3,231,215
	<u>7,599,593</u>	<u>6,339,516</u>
Distributions payable (note 7)	-	2,153,394
Fund balances (note 14):		
Endowment funds (note 8)	15,669,339	15,296,352
Externally restricted funds (note 8)	113,568,772	112,716,037
Internally restricted funds (note 8)	20,683,729	19,110,831
Invested in capital assets	8,148	40,370
Unrestricted funds	31,168,737	17,592,756
	<u>181,098,725</u>	<u>164,756,346</u>
Commitments (note 10 and 11)		
Impact of COVID-19 (note 13)		
	<u>\$ 188,698,318</u>	<u>\$ 173,249,256</u>

See accompanying notes to financial statements.

On behalf of the Board:



David Finlay, Q.C.
Chair, Board of Trustees



Chris Fowler, MA
Chair, Finance & Investment Committee

UNIVERSITY HOSPITAL FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2021, with comparative information for 2020

	Endowment Funds	Externally Restricted Funds	Internally Restricted Funds	Invested in capital assets	Unrestricted Funds	Total 2021	Total 2020 (note 14)
Revenue:							
Realized investment income (note 5)	\$ -	\$ 1,901,039	\$ -	\$ -	\$ 13,861,557	\$ 15,762,596	\$ 13,150,606
Fundraising	372,987	8,423,546	-	-	3,235,886	12,032,419	20,728,039
Lotteries (note 4)	-	8,221,198	-	-	-	8,221,198	7,198,960
Special events	-	912,630	412,308	-	-	1,324,938	2,050,720
Government assistance (note 13)	-	-	-	-	1,159,723	1,159,723	-
	372,987	19,458,413	412,308	-	18,257,166	38,500,874	43,128,325
Expenditures:							
Lotteries (note 4)	-	4,970,307	-	-	-	4,970,307	5,169,886
Fundraising (note 9)	-	-	-	-	4,136,058	4,136,058	4,420,591
Administrative	-	100	-	-	3,941,731	3,941,831	3,073,205
Special events	-	612,894	459,917	-	-	1,072,811	1,750,352
Investment costs	-	-	-	-	517,107	517,107	436,660
Amortization of equipment	-	-	-	32,222	-	32,222	92,155
	-	5,583,301	459,917	32,222	8,594,896	14,670,336	14,942,849
Other:							
Unrealized gain (loss) on investments (note 5)	-	-	-	-	9,632,688	9,632,688	(13,662,406)
Return of funds	-	(954,482)	-	-	-	(954,482)	-
	-	(954,482)	-	-	9,632,688	8,678,206	(13,662,406)
Excess (deficiency) of revenue over expenditures before distributions	372,987	12,920,630	(47,609)	(32,222)	19,294,958	32,508,744	14,523,070
Distributions to charitable organizations (note 7)	-	(15,569,724)	(342,585)	-	(254,056)	(16,166,365)	(15,430,898)
Excess (deficiency) of revenue over expenditures	372,987	(2,649,094)	(390,194)	(32,222)	19,040,902	16,342,379	(907,828)
Fund balances, beginning of year (note 14)	15,296,352	112,716,037	19,110,831	40,370	17,592,756	164,756,346	165,664,174
Transfers	-	3,501,829	1,963,092	-	(5,464,921)	-	-
Fund balances, end of year	\$ 15,669,339	\$ 113,568,772	\$ 20,683,729	\$ 8,148	\$ 31,168,737	\$ 181,098,725	\$ 164,756,346

See accompanying notes to financial statements.

UNIVERSITY HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	\$ 16,342,379	\$ (907,828)
Items not involving cash:		
Amortization of equipment	32,222	92,155
Realized gains on investments	(9,999,457)	(7,559,289)
Unrealized (gain) loss on investments	(9,632,688)	13,662,406
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(399,819)	2,326,307
Decrease in accrued interest receivable	257,168	37,178
Decrease in prepaid expenses and deposits	63,365	48,523
Decrease (increase) in other assets	791,239	(1,021,569)
Decrease in accounts payable and accrued liabilities	(210,083)	(2,618,121)
Decrease in distributions payable	(2,153,394)	-
Increase (decrease) in deferred revenue	1,470,160	(382,278)
	(3,438,908)	3,677,484
Investments:		
Net purchases of investments	(2,720,176)	(2,380,663)
(Decrease) increase in cash position	(6,159,084)	1,296,821
Cash position, beginning of year	21,390,213	20,093,392
Cash position, end of year	\$ 15,231,129	\$ 21,390,213
Cash position consists of:		
Cash	\$ 2,580,163	\$ 14,224,214
Cash equivalents	2,214,831	3,023,881
Restricted cash	10,436,135	4,142,118
	\$ 15,231,129	\$ 21,390,213

See accompanying notes to financial statements.

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2021, with comparative information for 2020

1. Authority:

University Hospital Foundation (the "Foundation") operates under the Regional Health Authorities Foundations Regulation. 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 purpose of the Foundation is to seek and receive by gift, bequest, transfer or other, property of every nature and description and, subject to any prior trust conditions or other conditions imposed on the use of that property, to hold, use and administer the property to support innovation and excellence at the University of Alberta Hospital (the "Hospital"), the Mazankowski Alberta Heart Institute ("Heart Institute") and the Kaye Edmonton Clinic (the "Clinic") and affiliated programs as a center of excellence for patient care, education and research for the greater benefit of the people of Alberta and Canada.

2. 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:

These financial statements include the following funds:

Endowment funds - consist of contributions for which the principal is permanently restricted by externally imposed stipulations specifying that the resources contributed be maintained permanently. Undistributed investment income is capitalized to principal as per the terms of reference.

Externally restricted funds - consist of funds, including principal and investment income, and the Foundation's share of excess of revenues over expenditures of the Full House Lottery, upon which restrictions have been imposed by the donor or external parties.

Internally restricted funds - consist of funds upon which the Board of Trustees (the "Board") has imposed restrictions. These funds represent donations and income that was initially unrestricted which the Board has restricted by program area.

Unrestricted funds - consist of contributions and investment income upon which the donors or the Board have imposed no restrictions. As unrestricted contributions are for use at the organization's discretion, they are available to fund operations of current and future periods as required. These funds are managed in accordance with general Board policies and may be restricted through Board motion.

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

2. Significant accounting policies (continued):

(b) Full House Lottery:

The Foundation accounts for its interests in the Full House Lottery using the proportionate consolidation method.

(c) Cash and cash equivalents:

The Foundation considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents. Restricted cash is subject to external restrictions related to strategic partnerships, Alberta Gaming, Liquor and Cannabis ("AGLC") gaming restrictions and the Full House Lottery.

(d) Financial instruments and risk management:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments 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 its 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 that are carried at cost or amortized cost are assessed for impairment on an annual basis. If there are indicators of impairment, the carrying value of financial assets is reduced to reflect the higher of the future expected cash flows and the net realizable value. Should the impairment reverse in a subsequent period, the carrying value of the financial assets will be increased to the extent of the reversal, not exceeding the initial carrying value.

(e) Equipment:

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis at the rate of 20% per annum. Equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and exceeds its fair value.

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

2. Significant accounting policies (continued):

(f) Revenue recognition:

Under the restricted fund basis of accounting for contributions, revenue is recognized as follows:

- (i) Contributions for general operations and unrestricted contributions are recognized as revenue of the unrestricted funds in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. All restricted contributions are recognized as revenue of the externally restricted funds in the year.
- (ii) Contributions for endowment are recognized as revenue in the Endowment Funds.
- (iii) Investment income earned on endowment funds that must be used in accordance with the conditions imposed by the donor is recognized as revenue of the externally restricted funds. Investment income earned on endowment funds that must be added to the endowment principal is recognized as revenue of the endowment fund. Unrestricted investment income earned on endowment funds is recognized as revenue of the unrestricted funds. Other investment income is recognized as revenue of the unrestricted funds when earned.
- (iv) Lottery and special events revenue are recognized as of the date of the lottery prize draw or event as Lottery or event revenues cannot be reasonably estimated until the date of the lottery prize draw or event.
- (v) The Foundation applies for financial assistance under available government programs. Government assistance is recognized as revenue in the year in which the related expenses are incurred.

(g) 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.

Accommodation and certain overhead costs incurred in the administration of the Foundation, borne by the Hospital, Heart Institute and Clinic, are not recorded in these financial statements as the value of the services is not readily determinable.

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

2. Significant accounting policies (continued):

(h) 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.

(i) Allocation of fundraising and general expenses:

The Foundation classifies expenses on the Statement of Operations and Changes in Fund Balances by function and does not allocate expenses between functions.

(j) 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 amount of revenue and expenditures during the period. Actual results could differ from these estimates.

3. Restricted cash:

Restricted cash is subject to external restrictions related to strategic industry / government partnerships, AGLC gaming restrictions and the Full House Lottery.

	2021	2020
Partnerships	\$ 4,516,515	\$ 1,714,447
Gaming	3,707,273	1,769,482
Full House Lottery (note 4)	2,212,347	658,189
	<u>\$ 10,436,135</u>	<u>\$ 4,142,118</u>

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

4. Full House Lottery joint venture:

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

	2021	2020
Assets		
Restricted cash	\$ 2,212,347	\$ 658,189
Accounts receivable	81,844	110,020
Other assets*	1,417,178	1,733,417
	\$ 3,711,369	\$ 2,501,626
Liabilities and Net Deficiency		
Accounts payable and accrued liabilities	\$ 221,318	\$ 543,453
Deferred revenue**	4,701,375	3,231,215
	4,922,693	3,774,668
Net deficiency	(1,211,324)	(1,273,042)
	\$ 3,711,369	\$ 2,501,626
Revenue		
Revenue	\$ 8,221,198	\$ 7,198,960
Expenditures	4,970,307	5,169,886
Partner allocation	3,189,173	2,143,197
Excess (deficiency) of revenue over expenditures and distributions	61,718	(114,123)
Cash from operating activities	2,155,258	608,653

*Other assets include lottery prizes that will be awarded subsequent to the draw date of June 30, 2021 (2020 - July 9, 2020).

**Lottery revenues and expenses are deferred until the draw date of June 30, 2021 (2020 - July 9, 2020)

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

5. Investments:

	2021	2020
Bonds:		
Pooled bond funds	\$ 46,776,907	\$ 2,010,452
Government of Canada bonds	15,699,807	20,648,073
Provincial bonds	13,639,239	20,303,965
Municipal bonds	-	1,931,451
Corporate bonds	16,693,646	28,127,383
Total bonds	92,809,599	73,021,324
Equities:		
Canadian common shares	9,227,366	14,109,298
Canadian pooled equity funds	17,026,713	5,780,066
U.S. pooled equity funds	15,188,682	27,655,551
Global pooled equity funds	36,271,382	27,689,802
Total equities	77,714,143	75,234,717
Mutual funds:		
Canadian mutual funds	367,963	289,242
Cash surrender value of life insurance policies	163,073	157,174
	\$ 171,054,778	\$ 148,702,457

During the year, a significant portion of segregated securities were liquidated and reinvested in professionally managed pooled funds. The pooled fixed income fund represents an interest in a fund consisting of Canadian corporate bonds, and Canadian municipal, provincial and federal government bonds. The pooled equity funds represent an interest in funds consisting of Canadian, U.S, and global equities.

The Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.

Investment income is comprised of:

	2021	2020
Interest income	\$ 3,286,165	\$ 5,067,246
Dividend income	2,476,974	524,071
Realized gains	9,999,457	7,559,289
Realized investment income	15,762,596	13,150,606
Unrealized gain (loss)	9,632,688	(13,662,406)
	\$ 25,395,284	\$ (511,800)

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

6. Equipment:

	2021	2020
Equipment	\$ 1,237,979	\$ 1,237,979
Less accumulated amortization	(1,229,831)	(1,197,609)
Net book value	\$ 8,148	\$ 40,370

7. Related party transactions:

The Foundation provides donations of money and gifts in kind to the Hospital, Heart Institute and Clinic. These donations allow the Hospital, Heart Institute and Clinic to provide equipment, patient services, education and research not funded from other sources. The cash donations are included in distributions to charitable organizations.

At March 31, 2021, accounts payable, distributions payable and accrued liabilities includes \$891,797 (2020 - \$3,683,603) payable to Alberta Health Services ("AHS") for certain salaries and services paid by AHS on the Foundation's behalf as well as distributions to the Hospital, Heart Institute and Clinic in support of research and patient care programs.

8. Fund balances:

As at March 31, 2021	Endowment	Externally Restricted	Internally Restricted
Alberta Kidney Care North	\$ 1,360,482	\$ 13,969,096	\$ -
Ambulatory Care	112,163	1,516,898	-
Burns	198,069	1,321,337	-
Cardiac Sciences	1,970,816	39,470,063	111,452
Critical Care	-	350,945	-
Emergency	-	270,161	21,849
Endoscopy & Surgery	-	36,200	-
General purpose	1,074,299	2,901,334	5,812,433
General purpose - Equipment	26,850	191,319	646,526
General purpose - Research	6,217,357	25,737,204	673,986
Medicine	643,803	7,937,148	800,000
Neurosciences	1,966,478	15,169,815	12,285,842
Nursing	900,755	482,030	57,577
Operative Services	189,395	872,530	-
Respiratory	53,350	996,645	-
Transplantation	604,037	2,005,388	-
University of Alberta Hospital Site	351,485	340,659	274,064
Total	\$ 15,669,339	\$ 113,568,772	\$ 20,683,729

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

8. Fund balances (continued):

As at March 31, 2020	Endowment	Externally Restricted	Internally Restricted
Alberta Kidney Care North	\$ 1,354,003	\$ 13,418,719	\$ -
Ambulatory Care	112,163	1,364,519	-
Burns	197,788	1,161,337	-
Cardiac Sciences	1,891,173	44,934,180	106,953
Critical Care	(5,000)	136,657	-
Emergency	-	180,236	-
Endoscopy & Surgery	-	36,200	-
General purpose	1,054,424	(5,104,674)	3,808,783
General purpose - equipment	(76,904)	290,607	837,777
General purpose - research	6,146,122	27,192,406	673,986
Medicine	631,743	10,058,723	812,000
Neurosciences	1,937,317	14,355,334	12,394,690
Nursing	893,255	371,498	57,577
Operative Services	189,395	1,013,552	(950)
Respiratory	53,350	1,009,557	-
Transplantation	571,037	2,050,447	-
University of Alberta Hospital Site	346,486	246,739	420,015
Total	\$ 15,296,352	\$ 112,716,037	\$ 19,110,831

9. Additional information to comply with the disclosure requirement of the Charitable Fund Raising Act and Regulation:

In fiscal 2021, \$1,975,721 (2020 - \$2,675,968) was paid as remuneration to employees whose principal duties involve fundraising.

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

10. Pledge commitments:

The Foundation has received signed pledge agreements in the amount of \$11,161,385 (2020 - \$12,854,314) from donors which have not been recognized as revenue at year-end. Receipt of the amounts pledged is expected by the Foundation as follows:

	2022	Thereafter
Alberta Kidney Care North	\$ 1,090,000	\$ 6,440,000
Cardiac Sciences	10,000	30,000
General purpose - research	113,551	110,306
Medicine	55,000	35,000
Neurosciences	751,501	2,526,027
Total	\$ 2,020,052	\$ 9,141,333

11. Funding commitments:

The Foundation has the following cumulative funding commitments, as approved by the Board, which are expected to be fulfilled within the next five years:

	2021	2020
Alberta Kidney Care North	\$ 3,156,719	\$ 5,457,049
Anesthesia	-	22,814
Cardiac Sciences	4,846,309	11,511,740
Emergency	1,140,269	-
General purpose - equipment	52,442	-
General purpose - research	14,235,725	10,339,201
Medicine	622,616	409,030
Neurosciences	7,436,847	8,392,376
Operative Services	454,248	454,248
Transplant	919,623	1,481,048
Trauma	186,918	240,029
University of Alberta Hospital Site	717,075	1,208,675
	\$ 33,768,791	\$ 39,516,210

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

12. Financial risks:

Income and financial returns on investments are exposed to credit and price risks. 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 the investments will change in value due to future fluctuations in market interest rates. Foreign exchange risk relates to the possibility that the investments will change in value due to fluctuations in foreign currencies. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

These risks are mitigated 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 favorable or unfavorable variance compared to book value. Credit risk is mitigated by investing in securities such that an average credit rating of A or better is achieved and diversifying the securities between government, government backed and corporate issuers. Interest rate risk is mitigated by managing maturity dates and payment frequency. The Foundation limits credit risk associated with other financial assets by dealing with counterparties that it believes are creditworthy.

The Foundation does not use derivative instruments to alter the effects of interest, market and foreign exchange risks

13. Impact of COVID-19:

The COVID-19 pandemic and the measures taken to contain the virus continue to impact the economy as a whole. The Foundation implemented a number of measures in response to the pandemic, including:

- Limiting access to administrative buildings and enabling work from home arrangements,
- Cancellation of in person events such as the Festival of Trees,
- Enhanced restraints on discretionary spend,
- Participation in the national Frontline Fund fundraising initiative,
- Participation in the provincial Foundations of Gratitude front-line worker appreciation campaign, and
- Launch of an Emergency Response Fund fundraising campaign.

The Foundation also applied for government assistance of \$1,133,461 under the Canada Emergency Wage Subsidy ("CEWS") program and \$26,262 under the Canada Emergency Rent Subsidy ("CERS") program. These have been recorded as government assistance on the statement of operations and changes in fund balances. Included in accounts receivable is \$396,481 of CEWS and \$26,262 of CERS applied for and not yet received.

UNIVERSITY HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021, with comparative information for 2020

13. Impact of COVID-19 (continued):

The Foundation continues to support work from home arrangements, managing discretionary spend, and the evaluation of future in-person events. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and financial and operating results of the Foundation is not known at this time.

14. Recast:

During the year, the Foundation reviewed its fund balances and the related definitions to enhance the understanding of all historical funds. The result of this review was a recast of the financial statements to reclassify certain historical fund balances for administrative purposes. The reclassification to the fund balances have been applied retroactively and prior periods have been adjusted as follows:

	As previously reported	Net change	As restated
Endowment funds	\$ 6,751,652	\$ 8,544,700	\$ 15,296,352
Externally restricted funds	117,765,085	(5,049,048)	112,716,037
Internally restricted funds	21,297,244	(2,186,413)	19,110,831
Invested in capital assets	40,370	-	40,370
Unrestricted funds	18,901,995	(1,309,239)	17,592,756
	<hr/>		
	\$ 164,756,346	\$ -	\$ 164,756,346

15. Comparative information:

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