

HEARTS FOR HEALTHCARE LTD.

Financial Statements

Year Ended September 30, 2023

HEARTS FOR HEALTHCARE LTD.

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Year Ended September 30, 2023

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INDEPENDENT PRACTITIONER'S REVIEW ENGAGEMENT REPORT

To the Members of Hearts for Healthcare Ltd.

I have reviewed the accompanying financial statements of Hearts for Healthcare Ltd. (the foundation) that comprise the statement of financial position as at September 30, 2023, and the statements of revenues and expenditures, changes in net assets 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 accounting standards for not-for-profit organizations (ASNPO), 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.

Practitioner's Responsibility

My responsibility is to express a conclusion on the accompanying financial statements based on my review. I conducted my review in accordance with Canadian generally accepted standards for review engagements, which require me to comply with relevant ethical requirements.

A review of financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, I do not express an audit opinion on these financial statements.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the financial statements do not present fairly, in all material respects, the financial position of Hearts for Healthcare Ltd. as at September 30, 2023, and the results of its operations and its cash flows for the year then ended in accordance with ASNPO.

HEARTS FOR HEALTHCARE LTD.**Statement of Financial Position****September 30, 2023**

	2023	2022
ASSETS		
CURRENT		
Cash (Note 4)	\$ 419,786	\$ 342,591
Accounts receivable	18,796	8,000
Goods and services tax recoverable (Note 7)	-	6,988
Prepaid expenses	1,075	1,081
	<u>439,657</u>	358,660
PROPERTY, PLANT AND EQUIPMENT (Note 5)	1,303	1,629
LONG TERM INVESTMENTS (Note 6)	823	795
RESTRICTED CASH (Note 4)	298,095	325,519
	<u>\$ 739,878</u>	<u>\$ 686,603</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 40,782	\$ 9,077
Current portion of long term debt (Note 8)	40,000	-
Short term debt	157	-
Goods and services tax payable (Note 7)	811	-
Wages payable	1,038	752
Employee deductions payable (Note 7)	2,363	3,268
	<u>85,151</u>	13,097
LONG TERM DEBT (Note 8)	-	40,000
	<u>85,151</u>	53,097
NET ASSETS	<u>654,727</u>	633,506
	<u>\$ 739,878</u>	<u>\$ 686,603</u>

ON BEHALF OF THE BOARD_____
*Director*_____
Director

HEARTS FOR HEALTHCARE LTD.
Statement of Revenues and Expenditures
Year Ended September 30, 2023

	2023	2022
REVENUES		
Donations	\$ 42,720	\$ 35,839
Other fundraisers (net) <i>(Note 9)</i>	56,523	43,516
Hearts for Healthcare Annual Gala <i>(Schedule 1)</i>	289,193	226,123
	<u>388,436</u>	<u>305,478</u>
EXPENDITURES		
Advertising and promotion	2,569	2,825
Amortization of intangible assets	-	1,304
Amortization of tangible assets	327	407
Business taxes, licences and memberships	135	135
Donations	2,000	-
Insurance	1,297	1,792
Non-refundable GST	6,071	3,786
Office	5,965	3,904
Professional fees	7,413	7,199
Rental	6,025	6,147
Salaries and wages	55,468	57,482
Sub-contracts	15,215	12,027
Telephone	1,938	1,480
Training	-	49
Vehicle	720	304
Volunteer appreciation	4,992	4,727
	<u>110,135</u>	<u>103,568</u>
EXCESS OF REVENUES OVER EXPENDITURES FROM OPERATIONS	<u>278,301</u>	<u>201,910</u>
OTHER INCOME		
Interest from other sources	9,940	3,410
Federal government grants and subsidies	-	2,608
	<u>9,940</u>	<u>6,018</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE UNDERNOTED ITEMS APPROVED BY BOARD	<u>288,241</u>	<u>207,928</u>
UNDERNOTED ITEMS APPROVED BY BOARD		
Contributions to qualified donees <i>(Note 10)</i>	196,620	39,850
Physician incentive payments <i>(Note 11)</i>	70,400	44,243
	<u>267,020</u>	<u>84,093</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 21,221</u>	<u>\$ 123,835</u>

The accompanying notes are an integral part of these financial statements

HEARTS FOR HEALTHCARE LTD.

Statement of Changes in Net Assets

Year Ended September 30, 2023

	Unrestricted net assets	Investment in capital assets	Internally restricted net assets	Externally restricted net assets	Total 2023	Total 2022
NET ASSETS - BEGINNING OF YEAR	\$ 306,358	\$ 1,629	\$ 204,551	\$ 120,968	\$ 633,506	\$ 509,671
Excess of revenues over expenditures	21,221	-	-	-	21,221	123,835
Contributions during year	267,346	-	237,000	2,596	506,942	269,267
Drawings during year	(239,596)	(326)	(267,020)	-	(506,942)	(269,267)
NET ASSETS - END OF YEAR	\$ 355,329	\$ 1,303	\$ 174,531	\$ 123,564	\$ 654,727	\$ 633,506

The accompanying notes are an integral part of these financial statements

HEARTS FOR HEALTHCARE LTD.**Statement of Cash Flows
Year Ended September 30, 2023**

	<i>September 30</i> 2023	<i>September 30</i> 2022
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 21,221	\$ 123,835
Items not affecting cash:		
Amortization of property, plant and equipment	326	407
Amortization of intangible assets	-	1,304
	<u>21,547</u>	<u>125,546</u>
Changes in non-cash working capital:		
Accounts receivable	(10,796)	15,204
Accounts payable	31,705	2,249
Deferred income (current)	-	(1,790)
Prepaid expenses	6	66
Goods and services tax payable	7,799	(1,761)
Security / tender deposits	-	13,740
Wages payable	286	(1,099)
Employee deductions payable	(905)	2,898
	<u>28,095</u>	<u>29,507</u>
Cash flow from operating activities	<u>49,642</u>	<u>155,053</u>
INVESTING ACTIVITY		
Long term Investments	(28)	(12)
Cash flow used by investing activity	<u>(28)</u>	<u>(12)</u>
FINANCING ACTIVITY		
Short term debt	157	-
Cash flow from financing activity	<u>157</u>	<u>-</u>
INCREASE IN CASH FLOW	49,771	155,041
Cash - beginning of year	<u>668,110</u>	<u>513,069</u>
CASH - END OF YEAR (Note 4)	<u>\$ 717,881</u>	<u>\$ 668,110</u>

The accompanying notes are an integral part of these financial statements

HEARTS FOR HEALTHCARE LTD.

Notes to Financial Statements

Year Ended September 30, 2023

1. PURPOSE OF THE FOUNDATION

Hearts for Healthcare Ltd. (the "foundation") is a not-for-profit organization of Alberta. As a registered charity the foundation is exempt from the payment of income tax under Subsection 149(1) of the Income Tax Act.

The foundation objectives are to gift funds and/or medical equipment to qualified donees and to construct or lease healthcare facilities and/or maintain existing facilities operated by Alberta Health Services.

2. BASIS OF PRESENTATION

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Hearts for Healthcare Ltd. follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

Hearts for Healthcare Ltd. follows the restricted fund method of accounting for contributions.

The Unrestricted Net Asset Funds accounts for the foundation's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Investment in Capital Assets Fund reports the assets, liabilities, revenues and expenses related to Hearts for Healthcare Ltd.'s capital assets.

The Internally Restricted Net Assets Fund is at the discretion of the foundation's board of directors who have allocated funds for the purpose of funding charitable programs, including future medical equipment purchases and physician attraction efforts.

The Externally Restricted Net Asset Fund are contributions subject to externally imposed stipulations as specified by the donor. Externally restricted earnings from restricted assets that are available for use for operations or asset purchases are recognised when the related expenditure is incurred.

Cash and cash equivalents

Cash includes cash and cash equivalents. Cash equivalents are investments in treasury bills and are valued at cost plus accrued interest. The carrying amounts approximate fair value because they have maturities at the date of purchase of less than ninety days.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated amortization and is amortized over its estimated useful life on a declining balance basis at the following rates and methods:

Equipment	20%	declining balance method
Computer equipment	20%	declining balance method

(continues)

HEARTS FOR HEALTHCARE LTD.

Notes to Financial Statements

Year Ended September 30, 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The foundation regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Property, plant and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Contributed services

The operations of the organization depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or in the amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations. When events occurring after the impairment confirms that a reversal is necessary, the reversal is recognized in the statement of operations up to the amount previously recognized impairment.

Measurement uncertainty

When preparing financial statements according to ASNPO, management makes estimates and assumptions relating to:

- reported amounts of revenues and expenses
- reported amounts of assets and liabilities
- disclosure of contingent assets and liabilities.

Estimates are based on a number of factors including historical experience, current events and actions that the foundation may undertake in the future, and other assumptions that management believes are reasonable under the circumstances. By their nature, these estimates are subject to measurement uncertainty and actual results could differ. In particular, estimates are used in accounting for certain items such as revenues, allowance for doubtful accounts, useful lives of capital assets, asset impairments, legal and tax contingencies, employee compensation plans, employee benefit plans, retained interest in securitized receivables, income taxes, and goodwill impairment.

4. CASH

	<u>2023</u>		<u>2022</u>
Cash	\$ 419,786	\$	342,591
Restricted cash	298,095		325,519
	<u>\$ 717,881</u>	\$	<u>668,110</u>

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HEARTS FOR HEALTHCARE LTD.

Notes to Financial Statements

Year Ended September 30, 2023

4. CASH (continued)

The board of directors of the foundation implemented an internally and externally restricted cash policy to ensure the organization is able to meet its commitments to purchase medical equipment and give incentives to recruit physicians. The use of the internally reserved cash is at the discretion of the board of directors while the externally restricted cash is held for a specific purpose under directive of arm's length parties, meaning it's not available for general operations.

5. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Equipment	\$ 2,885	\$ 2,536	\$ 349	\$ 436
Computer equipment	6,450	5,496	954	1,193
	<u>\$ 9,335</u>	<u>\$ 8,032</u>	<u>\$ 1,303</u>	<u>\$ 1,629</u>

6. LONG TERM INVESTMENTS

	2023	2022
Long term Investments	<u>\$ 823</u>	<u>\$ 795</u>
Market value	<u>\$ 823</u>	<u>\$ 795</u>

Investments consists of Lakeland Credit Union Ltd. member equity.

7. GOVERNMENT REMITTANCES PAYABLE OTHER THAN INCOME TAX

Government remittances (other than income taxes) include, for example, federal and provincial sales taxes, payroll taxes, health taxes, and workers' safety insurance premiums. The following government remittances were payable at year end:

	2023
Employee deductions payable	2,363
Goods and services tax payable (recoverable)	811
	<u>\$ 3,174</u>

Payroll is remitted to CRA monthly. The GST return is out of alignment with the fiscal year end and results in a discrepancy between the GST/PSB returns filed and the ending balance in the general ledger.

8. LONG TERM DEBT

2023	2022
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HEARTS FOR HEALTHCARE LTD.

Notes to Financial Statements

Year Ended September 30, 2023

8. LONG TERM DEBT *(continued)*

	<u>2023</u>	<u>2022</u>
Canadian Emergency Business Account loan bearing interest at 0% per annum, repayable in monthly blended payments of \$-. The loan matures on January 18, 2024 and is secured by the Government of Canada which has a carrying value of \$40,000	\$ 40,000	\$ 40,000
Amounts payable within one year	(40,000)	-
	<u>\$ -</u>	<u>\$ 40,000</u>

Principal repayment terms are approximately:

2024	<u>\$ 40,000</u>
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9. OTHER FUNDRAISING ACTIVITIES

	Gross Fundraising	Fundraising Expenses	<u>2023</u>	<u>2022</u>
Mega Bounce Run	\$ 29,845	\$ (15,021)	\$ 14,824	\$ 16,939
Boston Pizza	9,918	-	9,918	7,723
Ella's Closet	69	-	69	115
TLC Wellness Raffle	22,866	(3,778)	19,088	18,738
Sparkle in the Park	17,121	(4,498)	12,623	-
	<u>\$ 79,819</u>	<u>\$ (23,297)</u>	<u>\$ 56,522</u>	<u>\$ 43,515</u>

In accordance with the requirement of the Charitable Fund-raising Act and Regulation, the society is required to disclose the above information.

10. CONTRIBUTIONS TO QUALIFIED DONEES

The foundation issues a commitment letter to qualified donees upon approval by the board of directors for the purchase of medical equipment and records contributions to qualified donees at the date the funds and/or capital assets are transferred to qualified donees.

	<u>2023</u>
<u>Equipment Purchases</u>	
Rapid infusion pump	19,995
Nitrogen storage canister	1,680
Infusion pump	6,031
Scifit treadmill	7,863
Infact and ped scale	862
Orthopedic surgery replacement drill	11,980
Vital sign machine	3,568
Urine analysis machine	1,081
Electric breast pump	2,602
Blood drawing chair	1,308
Viper wheel chair	951
Contour mattress	275
ETAC Turner pro transfer aide	725
Djembre Freestyle Drums	470
Conmed camera head (3)	29,835

(continues)

HEARTS FOR HEALTHCARE LTD.

Notes to Financial Statements

Year Ended September 30, 2023

10. CONTRIBUTIONS TO QUALIFIED DONEES (continued)

	<u>2023</u>
<u>Equipment Purchases</u>	
P500 Therapy surface (2)	16,397
Conmed looking glass printer	22,777
Gastroscope	32,585
Therapy chairs	14,532
Infusion chairs	20,516
Battery for infusion pump	146
Infusion pump drug library	419
	<u>196,598</u>

11. INCENTIVES TO PHYSICIANS

The foundation has a physician attraction and retention program that is reported separately on the statement of revenues and expenditures. These incentive payments to physicians or their related entities may be considered as taxable income by the Canada Revenue Agency. The foundation has recommended to the physicians to seek tax advice to ensure these incentive payments are recorded correctly in their books and records.

	<u>2023</u>
<u>Physician attraction and retention program</u>	
Physician incentive payments	<u>70,335</u>

12. COMMITMENTS

	<u>2023</u>
<u>Donations committed to in the current year and not yet complete</u>	
Infusion Pump for Infusion Clinic	6,024
Dreger billi light with trolley	6,030
Matrix model program	1,915
Infusion clinic equipment	2,700
	<u>16,669</u>
Total Donations Committed to as of Year End	<u>\$ 16,669</u>

The equipment donations payable is a listing of the commitments made to purchase medical devices for the Lakeland area, and any other charitable commitments that have been made during the year such as physician attraction and retention that have not been completed.

As at September 30, 2023, the foundation board of directors has approved the physician incentive program for the next fiscal year but it may not be fully utilized. If doctors are able to be found who are interested in coming to the Cold Lake area in the next year, it will be spent. If not, it may be deferred into future years or used for other charitable purposes.

<u>Incentives to physicians</u>	
City of Cold Lake physician - One Doctor	<u>\$ 3,200</u>

13. FINANCIAL INSTRUMENTS

(continues)

HEARTS FOR HEALTHCARE LTD.

Notes to Financial Statements

Year Ended September 30, 2023

13. FINANCIAL INSTRUMENTS (*continued*)

The foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the foundation's risk exposure and concentration as of September 30, 2023.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The foundation is exposed to credit risk from customers. In order to reduce its credit risk, the foundation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' 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 foundation has a significant number of customers which minimizes concentration of credit risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The foundation is exposed to this risk mainly in respect of its receipt of funds from its customers and other related sources, long term debt, obligations under capital leases, contributions to the pension plan, and accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk.

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 interest rates. In seeking to minimize the risks from interest rate fluctuations, the foundation manages exposure through its normal operating and financing activities. The foundation is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

Unless otherwise noted, it is management's opinion that the foundation is not exposed to significant other price risks arising from these financial instruments.

HEARTS FOR HEALTHCARE LTD.**Hearts for Healthcare Annual Gala****(Schedule 1)****Year Ended September 30, 2023**

	2023	2022
GALA REVENUE		
Auction revenue	\$ 129,857	\$ 93,621
Donations	158,919	116,300
Ticket sales	77,512	52,866
Liquor Sales	18,093	15,224
Cash appeal	42,784	40,015
Raffles and 50/50 tickets	6,271	15,080
	<u>433,436</u>	<u>333,106</u>
GALA EXPENSES		
Advertising	3,754	1,492
Decorations	11,688	12,414
Entertainment	28,071	27,641
Food and beverages	51,147	45,260
Hall rental	6,697	5,414
Other gala expenses	38,915	12,085
Interest and bank charges	3,971	2,677
	<u>144,243</u>	<u>106,983</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 289,193</u>	<u>\$ 226,123</u>

The accompanying notes are an integral part of these financial statements