



**HOSPITALS OF REGINA  
FOUNDATION**

**Better lives. Made possible by you.**

**Financial Statements of  
HOSPITALS OF REGINA FOUNDATION INC.**

For the year ended December 31, 2016

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## **Management's Responsibility for Financial Reporting**

The accompanying financial statements of the Hospitals of Regina Foundation Inc. are the responsibility of management. Management has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The Foundation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and complete in all material respects, and that the Foundation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee, whose members are appointed by the Board. The Audit and Finance Committee meets with management and the external auditors to discuss internal controls over the financial reporting process, audit findings, financial reporting issues, and to satisfy itself that each party has properly discharged its responsibilities. The Audit and Finance Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the members in the annual report.



Dino Sophocleous, CFRE  
President & CEO

March 22, 2017



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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors

We have audited the accompanying financial statements of Hospitals of Regina Foundation Inc., which comprise the statement of financial position as at December 31, 2016, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hospitals of Regina Foundation Inc. as at December 31, 2016, 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.

**KPMG LLP**

Chartered Professional Accountants

March 8, 2017  
Regina, Canada

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Statement of Financial Position**


December 31, 2016 with comparative information for December 31, 2015

	General Fund	Endowment and Special Purpose Funds	Total 2016	Total 2015
<b>Assets</b>				
<b>Current assets</b>				
Cash	\$ 409,322	\$ -	\$ 409,322	\$ 2,967,538
Short-term investments (note 5)	8,887,804	-	8,887,804	6,822,391
Accounts receivable	673,628	-	673,628	790,965
Prepaid expenses	105,473	-	105,473	32,267
Pledges receivable (note 3)	1,095,628	-	1,095,628	2,564,065
Planned giving receivable (note 4)	298,902	-	298,902	229,381
Due from (to) other funds	65,105	(65,105)	-	-
	11,535,862	(65,105)	11,470,757	13,406,607
Investments (note 5)	9,132,576	6,865,817	15,998,393	12,108,568
Tangible capital assets (note 6)	306,287	-	306,287	354,372
	\$ 20,974,725	\$ 6,800,712	\$ 27,775,437	\$ 25,869,547
<b>Liabilities, deferred contributions and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 498,900	\$ -	\$ 498,900	\$ 2,102,631
	498,900	-	498,900	2,102,631
<b>Deferred contributions</b>				
Deferred pledge revenue (note 3)	1,095,628	-	1,095,628	2,564,065
Deferred planned gifts (note 4)	298,902	-	298,902	229,381
	1,394,530	-	1,394,530	2,793,446
<b>Net assets</b>				
Investment in tangible capital assets	306,287	-	306,287	354,372
Operating reserve	540,307	-	540,307	376,053
Designated funds	18,234,701	-	18,234,701	13,849,756
Endowment and special purpose funds (note 9)	-	6,800,712	6,800,712	6,393,289
	19,081,295	6,800,712	25,882,007	20,973,470
Commitments (note 8)				
	\$ 20,974,725	\$ 6,800,712	\$ 27,775,437	\$ 25,869,547

See accompanying notes to the financial statements

Approved by the Board:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Statement of Operations and Changes in Net Assets**

For the year ended December 31, 2016 with comparative information for the year ended December 31, 2015

	Investment in Capital Assets	Operating Reserve	Designated Funds	Endowment and Special Purpose Funds	2016	2015
<b>Revenue:</b>						
Charitable giving	\$ -	\$ 163,466	\$ 5,199,730	\$ -	\$ 5,363,196	\$ 4,337,418
Charitable gaming	-	-	3,269,426	-	3,269,426	3,328,821
Investment income	-	4,670	344,809	247,681	597,160	920,088
Unrealized gains/(losses) on investment	-	(3,882)	171,435	225,083	392,636	(297,578)
	-	164,254	8,985,400	472,764	9,622,418	8,288,749
<b>Expenses:</b>						
Direct fundraising costs	-	-	92,820	-	92,820	177,292
Administration	78,602	-	383,242	-	461,844	631,202
Communications and marketing	-	-	82,643	-	82,643	82,953
Salaries and benefits	-	-	1,107,473	-	1,107,473	964,073
	78,602	-	1,666,178	-	1,744,780	1,855,520
Excess (deficiency) of revenue over expenses	(78,602)	164,254	7,319,222	472,764	7,877,638	6,433,229
Net assets, beginning of year	354,372	376,053	13,849,756	6,393,289	20,973,470	22,882,208
Transfers	30,517	-	4,630	(35,147)	-	-
Distributions to Regina Qu'Appelle Health Region (note 10)	-	-	(2,938,907)	(30,194)	(2,969,101)	(8,341,967)
Net assets, end of year	\$ 306,287	\$ 540,307	\$ 18,234,701	\$ 6,800,712	\$ 25,882,007	\$ 20,973,470

See accompanying notes to the financial statements

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Statement of Cash Flows**

For the year ended December 31, 2016, with comparative information for the year ended December 31, 2015

	2016	2015
<b>Cash provided by (used for)</b>		
<b>Operations:</b>		
Excess of revenue over expenses	\$ 7,877,638	\$ 6,433,229
<b>Items not involving cash:</b>		
Amortization of tangible capital assets	78,602	81,148
Net change in fair value of investments	(995,238)	(515,592)
<b>Change in non-cash operating items:</b>		
Accounts receivable	117,337	57,466
Prepaid expenses	(73,206)	21,226
Accounts payable	(1,603,731)	1,095,575
	5,401,402	7,173,052
<b>Investing:</b>		
Net disposals (purchases) of investments	(4,960,000)	1,500,000
Purchases of tangible capital assets	(30,517)	(48,056)
	(4,990,517)	1,451,944
<b>Financing:</b>		
Distributions to Regina Qu'Appelle Health Region	(2,969,101)	(8,341,967)
	(2,969,101)	(8,341,967)
Increase (decrease) in cash	(2,558,216)	283,029
Cash, beginning of year	2,967,538	2,684,509
Cash, end of year	\$ 409,322	\$ 2,967,538

See accompanying notes to the financial statements

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Notes to the Financial Statements**

**For the year ended December 31, 2016**

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**1. Nature of the Organization**

The Hospitals of Regina Foundation Inc. (the "Foundation") was incorporated in 1987 under the provisions of the *Non-Profit Corporations Act (Saskatchewan)*. The Foundation solicits, manages and distributes funds for the purchase of medical equipment, education and research to the benefit of patients served by the Regina General Hospital, the Pasqua Hospital and the Wascana Rehabilitation Centre, all of which operate under the authority of the Regina Qu'Appelle Health Region (the "Region").

**2. Significant Accounting Policies**

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The most significant policies are as follows:

**(a) Fund Accounting and Reserves:**

The accounts of the Foundation are reported on a fund basis. A fund is defined as a self-balancing accounting entity established to report the assets held against the capital of the fund or against monies received for specific designated purposes. The following funds are maintained by the Foundation:

**The General Fund** accounts for the Foundation's fundraising, administrative and capital asset activities. The fund reports unrestricted resources and designated funds that are to be used for the purposes of which the funds were given.

**The Endowment and Special Purpose Fund** reports donations contributed for endowment and donations allocated for long-term special purposes, less authorized withdrawals for equipment, educational or research purposes.

**Reserves**

Within the General Fund, externally restricted funds received from donors are shown as designated funds.

In 2015, the Board of Directors approved to increase the operating reserve fund, within the General Fund, to \$1,000,000 over a four year period. Funds are set aside to stabilize a nonprofit's finances by providing a cushion against unexpected events, losses of revenue, and large unbudgeted expenses. Fund balances and their adequacy will be reviewed on an annual basis. This internally restricted amount is not available for other purposes without approval by the Board of Directors.

**(b) Revenue Recognition:**

The Foundation records donor pledges and irrevocable bequests as assets in the General Fund representing the right to receive funds at a future date as specified by the donor. Amounts are recognized in revenue when received.

Gifts-in-kind are recorded in revenue at fair value as at the date tendered by the donor. Donations of materials are recorded in revenue at fair value when they otherwise would have been purchased and when fair value can reasonably be estimated, as at the date received.

Contributions for endowments are recognized as revenue in the Endowment and Special Purpose Fund. Investment income that is earned on assets of the Endowment and Special Purpose Fund and that must be used in accordance with conditions imposed by the donor is recognized as revenue of the donor-restricted fund the date it was earned.

The Foundation raises funds through two lotteries conducted under lottery licenses issued by the Saskatchewan Liquor and Gaming Authority. These financial statements reflect the net results of the lotteries which ended within the fiscal year 2016.



**HOSPITALS OF REGINA FOUNDATION INC.**  
**Notes to the Financial Statements**

**For the year ended December 31, 2016**

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**2. Significant Accounting Policies (continued)**

**(b) Revenue Recognition (continued)**

Special event revenue is recognized on completion of the event and reported under charitable giving.

Planned gifts include insurance policies irrevocably pledged to the Foundation and bequests. Insurance policies of which the Foundation is the irrevocable beneficiary are recorded at the fair value of the policy. Funds to be received through bequests are recognized at fair value upon receipt of formal legal notification.

All of the Foundation's investments have been measured at fair value, whereby changes in fair value are recognized immediately in revenue. Investment income is recognized on the accrual basis.

**(c) Tangible Capital Assets:**

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution if fair value can be reasonably determined. Amortization is provided on a declining-balance basis over the assets' estimated useful lives, varying from 3 to 10 years. Amortization expense is charged directly to Investment in capital assets.

**(d) Financial Assets and Liabilities:**

Financial instruments are recorded at fair value on initial recognition. Subsequently, investments are accounted for at their fair values, which are determined based on closing market values at year-end. All other financial instruments are subsequently recorded at cost or amortized cost.

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 assets. 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 assets 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) Income Taxes**

The Foundation is a registered charity and no income taxes are payable on reported income under paragraph 149(1) (f) of the *Income Tax Act*.

**(f) Use of Estimates:**

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affects 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 revenue and expenses during the period. Significant items subject to such estimates and assumptions include the valuation of pledges receivable and investments. Actual results could differ from those estimates.

**(g) Volunteer Services:**

Volunteers contribute a significant amount of time each year to assist the Foundation in carrying out its fundraising activities. Because of the difficulty of determining their fair values, these volunteer services are not recognized in the financial statements.

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Notes to the Financial Statements**

For the year ended December 31, 2016

**3. Pledges Receivable and Deferred Pledge Revenue**

	2016	2015
2016	\$ -	\$ 414,523
2017	1,012,628	544,083
thereafter	83,000	1,605,459
	<b>\$ 1,095,628</b>	<b>\$ 2,564,065</b>

Pledges have been designated as follows:

	2016	2015
Pediatrics capital campaign	\$ 498,408	\$ 623,827
Other equipment purchases and general support	597,220	1,940,238
	<b>\$ 1,095,628</b>	<b>\$ 2,564,065</b>

**4. Planned Giving Receivable and Deferred Planned Gifts**

	2016	2015
Insurance policies	\$ 232,889	\$ 225,889
Bequests	66,013	3,492
	<b>\$ 298,902</b>	<b>\$ 229,381</b>

**5. Investments**

	2016	2015
Short-term investments:		
Savings deposits	\$ 5,563,473	\$ 583,066
Money market funds	3,324,331	6,239,325
	<b>8,887,804</b>	<b>6,822,391</b>
Long-term investments		
Pooled equity fund	7,199,050	6,003,875
Pooled bond fund	8,799,343	6,104,693
	<b>15,998,393</b>	<b>12,108,568</b>
	<b>\$ 24,886,197</b>	<b>\$ 18,930,959</b>

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Notes to the Financial Statements**

**For the year ended December 31, 2016**

**5. Investments (continued)**

The Foundation's short-term investments are comprised of saving deposits bearing a floating rate of interest (2015 – floating rate of interest) and money-market funds with no specified rate of return (2015 – no specified rate of return). The long-term investments are comprised of pooled equity funds and pooled bond funds. The Foundation's long-term investments in pooled funds have no fixed maturity dates and fund returns are based on the success of the fund managers. The pooled bond fund generated a yield in 2016 of 2.4% (2015 – 3.0%).

**6. Tangible Capital Assets**

		2016		2015	
	Cost	Accumulated Amortization	Carrying Value	Carrying Value	
Computer hardware and software	\$ 271,746	\$ 234,577	\$ 37,169	\$ 23,895	
Donor recognition centers	336,553	187,812	148,741	185,926	
Furniture and equipment	162,673	111,315	51,358	58,278	
Leasehold improvements	261,698	192,679	69,019	86,273	
	<b>\$ 1,032,670</b>	<b>\$ 726,383</b>	<b>\$ 306,287</b>	<b>\$ 354,372</b>	

**7. Charitable Gaming Revenue**

	2016		2015	
Lottery revenue	\$ 9,966,241	\$ 10,062,080		
Lottery expenses				
Prizes	4,551,066	4,498,756		
Marketing and administration charges	2,245,749	2,332,479		
	<b>3,169,426</b>	<b>3,230,944</b>		
Provincial Gaming Grant	100,000	102,050		
Hotels helping hospitals	-	5,101		
	<b>\$ 3,269,426</b>	<b>\$ 3,338,095</b>		

**8. Commitments**

The Foundation is committed under an operating lease signed in 2011, which was renewed in 2015 for a five year extension ending March 31, 2021. Annual payments total:

2017 – \$ 125,322  
 2018 – \$ 125,322  
 2019 – \$ 125,322  
 2020 – \$ 125,322  
 2021 – \$ 31,331

The Foundation's lottery program main prizes are committed for in advance. The total commitment as at December 31, 2016 is \$2,805,000 (2015 - \$2,432,000).

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Notes to the Financial Statements**

**For the year ended December 31, 2016**

**9. Endowments and Special Purpose Funds**

Endowments are established for specific donor-designated purposes, subject to the concurrence of the Foundation and a prescribed minimum donation amount. The Foundation will also designate funds received for similar special purposes. Investment income is to be used only for these purposes and as specified by agreement with the donor and/or the special purpose of the fund.

	<b>Endowment Capital</b>	<b>Designations and Earnings</b>	<b>Fund Balance 2016</b>	<b>Fund Balance 2015</b>
MRI	\$ 1,450,787	\$ 1,393,928	\$ 2,844,715	\$ 2,648,909
Fleming Medical Education	698,952	583,100	1,282,052	1,254,412
Caring for Life	396,265	759,723	1,155,988	1,076,435
Schmirler (NICU)	137,324	237,131	374,455	348,704
GI / Endoscopy	153,490	248,688	402,178	374,503
Cardiac Care	169,445	177,109	346,554	322,708
Nursing Research	-	142,808	142,808	132,982
Nuclear Pharmacy	21,240	31,798	53,038	49,391
Mcintosh Veterans'	-	198,924	198,924	185,245
	<b>\$ 3,027,503</b>	<b>\$ 3,773,209</b>	<b>\$ 6,800,712</b>	<b>\$ 6,393,289</b>

**10. Distributions**

The Foundation has a policy of disbursing funds to the Regina Qu'Appelle Health Region once a purchase order or other appropriate documentation denoting a firm commitment to purchase equipment or to fund medical research or education has been received by the Foundation from the Region.

There can be a delay from the time at which a commitment to provide funding is made to the time at which funding for equipment, research or education is actually made. Approved funding commitments of \$1,645,712 were outstanding at December 31, 2016 (2015 - \$3,041,585).

**11. Financial Risk and Concentration of Risk**

The Foundation faces certain financial risks such as interest rate, credit risk and liquidity risk which can impact its financial performance.

**Interest Rate Risk**

The Foundation is exposed to interest rates with respect to its certain investments. Financial instruments are not used for trading or speculative purposes. The Foundation mitigates risk associated with these financial instruments through the Foundation's established investment policy.

**Credit Risk**

The Foundation's cash, accounts receivable, planned giving receivable, pledges receivable and certain investments are not subject to any significant concentration of credit risk. The carrying amounts of financial assets in the statement of financial position represent the Foundations maximum credit exposure at the statement of financial position date. The credit risk on cash is limited because the counterparties are chartered banks with high credit ratings assigned by national credit-rating agencies.

Credit risk within investments is primarily related to savings deposits and money market fund. The Board has developed investment guidelines that limit debt instruments to those of high credit quality along with limits to the maximum notional amount of exposure. There has been no change in the risk exposures from 2015.

**HOSPITALS OF REGINA FOUNDATION INC.**  
**Notes to the Financial Statements**

**For the year ended December 31, 2016**

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**11. Financial Risk and Concentration of Risk (continued)**

**Liquidity Risk**

The Foundation manages its liquidity risk by maintaining adequate cash and investments, preparing operating budgets and reviewing the cash flow needs of the Foundation on a regular basis. There has been no change in the risk exposures from 2015.

**Market Risk**

The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Foundation's pooled equity fund investments are subject to risks arising from changes in market conditions. There has been no change in the risk exposure from 2015.

**12. Fair Values**

For the following financial assets and liabilities, carrying amounts approximate fair value due to their immediate or short-term nature: cash, accounts receivable, pledges receivable, and accounts payable.

The fair value of planned giving receivable has been omitted because it is not practical to determine fair value with sufficient reliability.

**13. Related Party Transactions**

The Foundation provides donations of funds to the Regina Qu'Appelle Regional Health Region for the benefit of the Regina General Hospital, Pasqua Hospital and Wascana Rehabilitation Centre. These donations allow the Region to purchase medical equipment and to fund medical education and research.

The Foundation has purchased services from companies in which Board members are owners, partners or senior managers in the amount of \$105,073 (2015 - \$58,518).