



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

For the year ended December 31, 2014

**HOSPITALS OF REGINA FOUNDATION INC.**

---

|   | Page No. |
|---|----------|
| Management's Responsibility for Financial Reporting | 3        |
| Independent Auditors' Report to the Members         | 4        |
| Statement of Financial Position                     | 5        |
| Statement of Operations and Changes in Net Assets   | 6        |
| Statement of Cash Flows                             | 7        |
| Notes to the Financial Statements                   | 8-13     |

### **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.



Sudesh Galhenage CPA, CGA MBA  
Director, Finance

March 11, 2015

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors,  
Hospitals of Regina Foundation Inc.

We have audited the accompanying financial statements of **Hospitals of Regina Foundation Inc.** which comprise the statement of financial position as at December 31, 2014 and the statements of operations and 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation'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 Foundation'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, 2014 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.

**March 11, 2015**  
**Regina, Saskatchewan**

The King George, Suite 200, 157 - 2nd Avenue North  
Saskatoon, Saskatchewan S7K 2A9  
Telephone 306-653-6100 Fax 306-653-4245  
Toll Free 1-888-285-7677  
Email [virtus.saskatoon@virtusgroup.ca](mailto:virtus.saskatoon@virtusgroup.ca)  
Firm Website: [www.virtusgroup.ca](http://www.virtusgroup.ca)

*VIRTUS GROUP LLP*

**Chartered Professional Accountants**

Central Park Place, 200-2208 Scarth Street  
Regina, Saskatchewan S4P 2J6  
Telephone 306-522-6500 Fax 306-522-6222  
Toll Free 1-888-258-7677  
Email [virtus.regina@virtusgroup.ca](mailto:virtus.regina@virtusgroup.ca)

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

December 31, 2014, with comparative figures for December 31, 2013

|   | General Fund | Endowment and<br>Special Purpose<br>Funds | Total 2014 | Total 2013 |
|---|--------------|---|------------|------------|
| <b>Assets</b>   | \$           | \$  | \$         | \$         |
| <b>Current assets</b>                                     |              |   |            |            |
| Cash  | 2,684,509    | -   | 2,684,509  | 4,096,626  |
| Short-term investments (note 5)                           | 8,326,458    | -   | 8,326,458  | 15,095,058 |
| Accounts receivable                                       | 848,431      | -   | 848,431    | 539,749    |
| Prepaid expenses  | 53,493       | -   | 53,493     | 64,671     |
| Pledges receivable (note 3)                               | 1,170,326    | -   | 1,170,326  | 1,622,456  |
| Planned giving receivable (note 4)                        | 511,244      | -   | 511,244    | 1,910,682  |
| Due from (to) other funds                                 | -            | -   | -          | -          |
|   | 13,594,461   | -   | 13,594,461 | 23,329,242 |
| Investments (note 5)                                      | 5,474,898    | 6,114,011                                 | 11,588,909 | 5,944,639  |
| Tangible capital assets (note 6)                          | 387,464      | -   | 387,464    | 360,936    |
|   | 19,456,823   | 6,114,011                                 | 25,570,834 | 29,634,817 |
| <b>Liabilities, deferred contributions and net assets</b> |              |   |            |            |
| <b>Liabilities</b>  |              |   |            |            |
| Accounts payable  | 1,007,056    | -   | 1,007,056  | 98,458     |
|   | 1,007,056    | -   | 1,007,056  | 98,458     |
| <b>Deferred contributions</b>                             |              |   |            |            |
| Deferred pledge revenue (note 3)                          | 1,170,326    | -   | 1,170,326  | 1,622,456  |
| Deferred planned gifts (note 4)                           | 511,244      | -   | 511,244    | 1,910,682  |
|   | 1,681,570    | -   | 1,681,570  | 3,533,138  |
| <b>Net assets</b>   |              |   |            |            |
| Investment in tangible capital assets                     | 387,464      | -   | 387,464    | 360,936    |
| Operating reserve (note 9)                                | 242,571      | -   | 242,571    | 233,359    |
| Designated funds  | 16,138,162   | -   | 16,138,162 | 19,988,314 |
| Endowment and special purpose funds (note 9)              | -            | 6,114,011                                 | 6,114,011  | 5,420,612  |
|   | 16,768,197   | 6,114,011                                 | 22,882,208 | 26,003,221 |
|   | 19,456,823   | 6,114,011                                 | 25,570,834 | 29,634,817 |
| <b>Commitments (note 10 and 11)</b>                       |              |   |            |            |

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, 2014, with comparative figures for the year ended December 31, 2013

|   | Investment in<br>Capital Assets | Operating<br>Reserve | Designated<br>Funds | Endowment<br>and Special<br>Purpose<br>Funds | 2014         | 2013        |
|---|---------------------------------|----------------------|---------------------|--|--------------|-------------|
| Revenue:  | \$                              | \$                   | \$                  | \$   | \$           | \$          |
| Charitable giving   | -                               | -                    | 5,477,508           | -  | 5,477,508    | 8,796,131   |
| Charitable gaming (note 7)                                    | -                               | -                    | 3,259,052           | -  | 3,259,052    | 2,912,225   |
| Investment income (note 8)                                    | -                               | 9,212                | 460,132             | 653,540                                      | 1,122,884    | 627,106     |
|   | -                               | 9,212                | 9,196,692           | 653,540                                      | 9,859,444    | 12,335,462  |
| Expenses:   |                                 |                      |                     |  |              |             |
| Direct fundraising costs                                      | -                               | -                    | 269,617             | -  | 269,617      | 336,501     |
| Administration  | 116,488                         | -                    | 643,375             | -  | 759,863      | 576,266     |
| Communications and marketing                                  | -                               | -                    | 182,623             | -  | 182,623      | 176,539     |
| Salaries and benefits   | -                               | -                    | 1,377,737           | -  | 1,377,736    | 1,080,554   |
|   | 116,488                         |                      | 2,473,352           |  | 2,589,839    | 2,169,860   |
| Excess (deficiency) of revenue<br>over expenses               | (116,488)                       | 9,212                | 6,723,341           | 653,540                                      | 7,269,605    | 10,165,602  |
| Net assets, beginning of year                                 | 360,936                         | 233,359              | 19,988,314          | 5,420,612                                    | 26,003,221   | 21,885,344  |
| Transfers   | 143,016                         | -                    | (222,775)           | 79,759                                       | -            | -           |
| Distributions to Regina Qu'Appelle<br>Health Region (note 11) | -                               | -                    | (10,350,718)        | (39,900)                                     | (10,390,618) | (6,047,725) |
| Net assets, end of year                                       | 387,464                         | 242,571              | 16,138,162          | 6,114,011                                    | 22,882,208   | 26,003,221  |

See accompanying notes to the financial statements

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

For the year ended December 31, 2014, with comparative figures for the year ended December 31, 2013

|  | 2014         | 2013        |
|--|--------------|-------------|
| Cash provided by (used for)                      | \$           | \$          |
| Operations:                                      |              |             |
| Excess of revenue over expenses                  | 7,269,605    | 10,165,602  |
| Items not involving cash:                        |              |             |
| Amortization                                     | 116,488      | 90,261      |
| Net change in fair value of investments          | 1,124,330    | (615,132)   |
| Change in non-cash operating items:              |              |             |
| Accounts receivable                              | (308,682)    | (290,368)   |
| Prepaid expenses                                 | 11,178       | 91,741      |
| Accounts payable                                 | 908,598      | 43,154      |
| Distributions to Regina Qu'Appelle Health Region | (10,390,618) | (6,047,725) |
|  | (1,269,101)  | 3,437,533   |
| Investing:                                       |              |             |
| Net disposals (purchases) of investments         | -            | 2,500,000   |
| Purchases of tangible capital assets             | (143,016)    | (11,010)    |
|  | (143,016)    | 2,511,010   |
| Increase (decrease) in cash position             | (1,412,117)  | 926,523     |
| Cash position, beginning of year                 | 4,096,626    | 3,170,103   |
| Cash position, end of year                       | 2,684,509    | 4,096,626   |

See accompanying notes to the financial statements

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

**For the year ended December 31, 2014**

---

**1. Purpose 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:

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 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.

(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 endowment 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 as at date received.

The Foundation is a recipient of funds raised through the sale of Nevada Tickets by the Hotels Association of Saskatchewan pursuant to a license granted by the Saskatchewan Liquor and Gaming Authority. Revenue is recorded in the General Fund for all Nevada Tickets sold to December 31<sup>st</sup> of every year.

The Foundation raises funds through two lotteries conducted under lottery licenses issued by the Saskatchewan Liquor and Gaming Authority. These financial statements reflect the results of the lotteries which ended within the fiscal year 2014.



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

**For the year ended December 31, 2014**

**2. Significant accounting policies (continued)**

(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. Amortization is provided on a declining-balance basis over the assets' estimated useful lives, at rates varying from 3 to 10 years. Amortization expense is reported in the General Fund.

(d) Financial assets and liabilities:

All financial assets and liabilities are measured at fair value or cost / amortized cost. Fair value is determined using quoted market prices, generally the bid price. Gains or losses realized on disposals are recognized in the period of disposal.

(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. As well, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period are included. 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.

**3. Pledges receivable and deferred pledge revenue**

|            | 2014               | 2013                |
|------------|--------------------|---------------------|
|            | \$                 | \$                  |
| 2014       | -                  | 552,131             |
| 2015       | 431,910            | 426,376             |
| 2016       | 207,929            | 207,929             |
| thereafter | 530,487            | 436,020             |
|            | <b>\$1,170,326</b> | <b>\$ 1,622,456</b> |

Pledges have been designated as follows:

|   | 2014             | 2013                |
|---|------------------|---------------------|
| Pediatrics capital campaign                   | 698,302          | 800,000             |
| Other equipment purchases and general support | 472,024          | 822,456             |
|   | <b>1,170,326</b> | <b>\$ 1,622,456</b> |

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

**For the year ended December 31, 2014**

**4. Planned giving**

Planned gifts include charitable remainder trusts, insurance policies irrevocably pledged to the Foundation and bequests. Charitable remainder trusts are an arrangement whereby individuals place cash into an irrevocable trust with the Foundation appointed as the beneficiary. The income from the trust is paid to the donor for life and upon the donor's death the Foundation will receive the cash assets in trust. 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 upon receipt of formal legal notification.

|                             | 2014           | 2013             |
|-----------------------------|----------------|------------------|
|                             | \$             | \$               |
| Charitable remainder trusts | 20,000         | 20,000           |
| Insurance policies          | 205,889        | 205,889          |
| Bequests                    | 285,355        | 1,684,793        |
|                             | <u>511,244</u> | <u>1,910,682</u> |

**5. Investments**

|                                    | 2014              | 2013              |
|------------------------------------|-------------------|-------------------|
|                                    | \$                | \$                |
| Short-term investments:            |                   |                   |
| Savings deposits                   | 675,694           | 7,612,761         |
| Money market funds                 | 7,634,764         | 7,466,297         |
| Guaranteed investment certificates | 16,000            | 16,000            |
| Long-term investments              | <u>11,588,909</u> | <u>5,944,639</u>  |
|                                    | <u>19,915,367</u> | <u>21,039,697</u> |

The Foundation's short-term investments are comprised of funds bearing a floating rate of interest (\$675,594), money-market funds with no specified rate of return (\$7,634,764) and guaranteed investments (\$16,000). Money-market funds are redeemable on demand. Guaranteed investments have a maturity date of March 26, 2017 earning 1.6 per cent per annum.

The long-term investments contain fixed income and equity investments that will hold for more than 12 months before disbursement. The long-term investments are comprised of designated funds (\$5,232,327), combined endowment funds (\$6,114,010) and Operating reserve fund (\$242,571).

All of the Foundation's investments have been measured at fair value, whereby changes in fair value are recognized immediately in revenue.

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 composed of interest rate and market risk. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates and prices.

The Board of Directors has developed investment guidelines to manage the exposure to credit and price risks.

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

**For the year ended December 31, 2014**

**6. Tangible capital assets**

|                           | 2014    |                          | 2013           |                |
|---------------------------|---------|--------------------------|----------------|----------------|
|                           | Cost    | Accumulated Amortization | Carrying Value | Carrying Value |
|                           | \$      | \$                       | \$             | \$             |
| Computer hardware         | 89,820  | 80,480                   | 9,340          | 10,228         |
| Computer software         | 144,732 | 126,575                  | 18,157         | 27,236         |
| Donor recognition centers | 295,420 | 109,287                  | 186,133        | 123,116        |
| Equipment                 | 34,799  | 21,425                   | 13,376         | 7,091          |
| Furniture                 | 127,627 | 75,010                   | 52,617         | 58,464         |
| Leasehold improvements    | 261,698 | 153,857                  | 107,841        | 134,801        |
|                           | 954,096 | 566,632                  | 387,464        | 360,936        |

**7. Charitable gaming revenue**

|                                      | 2014      | 2013      |
|--------------------------------------|-----------|-----------|
|                                      | \$        | \$        |
| Lottery revenue                      | 9,687,436 | 8,873,032 |
| Lottery expenses                     |           |           |
| Prizes                               | 4,361,967 | 4,066,623 |
| Marketing and administration charges | 2,205,971 | 2,032,594 |
|                                      | 3,119,498 | 2,773,815 |
| Provincial Gaming Grant              | 100,161   | 101,557   |
| Hotels helping hospitals             | 39,393    | 36,853    |
|                                      | 3,259,052 | 2,912,225 |

**8. Investment income**

|  | 2014      | 2013     |
|--|-----------|----------|
|  | \$        | \$       |
| Interest – guaranteed investments                        | 256       | 320      |
| Interest – money market funds                            | 54,990    | 82,753   |
| Interest – bank deposits                                 | 4,480     | 4,714    |
| Interest and dividends on long-term investments          | 493,198   | 433,753  |
|  | 552,924   | 521,540  |
| Unrealized gain in market value of long-term investments | 661,648   | 176,522  |
| Investment management fees                               | (91,688)  | (70,956) |
|  | 1,122,884 | 627,106  |

Investment income is recognized on the accrual basis.

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

**For the year ended December 31, 2014**

**9. Restricted funds**

• **Internally restricted net assets:**

In 1998, the board of Directors internally restricted funds to establish an operating reserve to provide for the financial security of the Foundation's operations. This internally restricted amount is not available for other purposes without approval by the Board of Directors. The balance at December 31, 2014 was \$242,571 (2013 - \$233,359).

• **Restricted for endowments and special purposes:**

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.

|                           | Endowment<br>Capital | Designations<br>and Earnings | Fund Balance<br>2014 | Fund Balance<br>2013 |
|---------------------------|----------------------|------------------------------|----------------------|----------------------|
|                           | \$                   | \$                           | \$                   | \$                   |
| MRI                       | 1,450,787            | 1,082,377                    | 2,533,164            | 2,257,484            |
| Fleming medical education | 698,952              | 500,625                      | 1,199,577            | 1,055,058            |
| Caring for Life           | 396,265              | 633,160                      | 1,029,425            | 889,136              |
| Schmirler (NICU)          | 137,324              | 196,176                      | 333,500              | 298,785              |
| GI / Endoscopy            | 153,490              | 204,659                      | 358,149              | 325,056              |
| Cardiac Care              | 169,445              | 139,173                      | 308,618              | 280,591              |
| Nursing research          | -                    | 127,175                      | 127,175              | 113,672              |
| Nuclear pharmacy          | 21,240               | 25,997                       | 47,237               | 42,103               |
| McIntosh Veterans'        | -                    | 177,166                      | 177,166              | 158,727              |
|                           | 3,027,503            | 3,086,508                    | 6,114,011            | 5,420,612            |

**10. Commitments**

The Foundation is committed under an operating lease signed in 2011 for rented premises with annual payments totaling:

2015 - \$122,622

2016 - \$ 30,656

**11. 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 \$5,009,499 outstanding at December 31, 2014 (2013 - \$6,504,641).

**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.

**HOSPITALS OF REGINA FOUNDATION INC.**

**Notes to the Financial Statements**

**For the year ended December 31, 2014**

---

**13. Related party transactions**

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

Certain overhead costs incurred in the administration of the Foundation are provided by the Authority. These costs cannot readily be estimated and consequently are not reflected in these financial statements.

**14. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.