



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

For the year ended December 31, 2012

**HOSPITALS OF REGINA FOUNDATION INC.**

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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.

A handwritten signature in cursive script that reads "Judy Davis".

Judy Davis, CFRE  
Chief Executive Officer

February 27, 2013

## INDEPENDENT AUDITORS' REPORT

To the Members,  
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, 2012 and December 31, 2011 and the statements of operations and changes in net assets, and cash flows for the years 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, 2012 and December 31, 2011, and its results of operations and its cash flows for the years then ended in accordance with Canadian accounting standards for not-for-profit organizations.

February 27, 2013  
Regina, Saskatchewan

*Virtus Group LLP*  
CHARTERED ACCOUNTANTS

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

December 31, 2012, with comparative figures for December 31, 2011

	General Fund	Endowment and Special Purpose Funds	Total 2012	Total 2011
<b>Assets</b>				
Current assets				
Cash	\$ 3,170,103	\$ -	\$ 3,170,103	\$ 2,611,272
Short-term investments (note 5)	12,403,338	-	12,403,338	14,080,056
Accounts receivable	249,381	-	249,381	718,736
Prepaid expenses	156,412	-	156,412	98,716
Pledges receivable (note 3)	1,374,023	-	1,374,023	319,239
Planned giving receivable (note 4)	1,800,493	-	1,800,493	1,912,271
Due from (to) other funds	181,298	(181,298)	-	-
	<u>19,335,048</u>	<u>(181,298)</u>	<u>19,153,750</u>	<u>19,740,290</u>
Investments (note 5)	235,069	5,286,158	5,521,227	5,212,078
Tangible capital assets (note 6)	440,187	-	440,187	513,648
	<u>\$ 20,010,304</u>	<u>\$ 5,104,860</u>	<u>\$ 25,115,164</u>	<u>\$ 25,466,016</u>
<b>Liabilities, deferred contributions and net assets</b>				
Liabilities				
Accounts payable	\$ 55,304	\$ -	\$ 55,304	\$ 490,100
	<u>55,304</u>	<u>-</u>	<u>55,304</u>	<u>490,100</u>
Deferred contributions				
Deferred pledge revenue (note 3)	1,374,023	-	1,374,023	319,239
Deferred planned gifts (note 4)	1,800,493	-	1,800,493	1,912,271
	<u>3,174,516</u>	<u>-</u>	<u>3,174,516</u>	<u>2,231,510</u>
Net assets				
Investment in tangible capital assets	440,187	-	440,187	513,648
Operating reserve (note 9)	235,069	-	235,069	274,224
Designated funds	16,105,228	-	16,105,228	17,173,549
Endowment and special purpose funds (note 9)	-	5,104,860	5,104,860	4,782,985
	<u>16,780,484</u>	<u>5,104,860</u>	<u>21,885,344</u>	<u>22,744,406</u>
	<u>\$ 20,010,304</u>	<u>\$ 5,104,860</u>	<u>\$ 25,115,164</u>	<u>\$ 25,466,016</u>
Commitments (note 10 and 11)				

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, 2012, with comparative figures for the year ended December 31, 2011

	Investment in Capital Assets	Operating Reserve	Designated Funds	Endowment and Special Purpose Funds	2012	2011
Revenue:						
Charitable giving	\$ -	\$ -	\$ 5,773,440	\$ -	\$ 5,773,440	\$ 4,717,544
Charitable gaming (note 7)	-	-	3,579,941	-	3,579,941	3,462,982
Investment income (note 8)	-	10,845	230,108	348,304	589,257	517,326
	-	10,845	9,583,489	348,304	9,942,638	8,697,852
Expenses:						
Direct fundraising costs	-	-	945,099	-	945,099	719,784
Administration	110,134	-	451,641	-	561,775	454,224
Communications and marketing	-	-	159,062	-	159,062	170,556
Salaries and benefits	-	-	937,642	-	937,642	905,828
	110,134	-	2,493,444	-	2,603,578	2,250,392
Excess (deficiency) of revenue over expenses	(110,134)	10,845	7,090,045	348,304	7,339,060	6,447,460
Net assets, beginning of year	513,648	274,224	17,173,549	4,782,985	22,744,406	21,924,217
Transfers	36,673	(50,000)	13,327	-	-	-
Distributions to Regina Qu'Appelle Health Region (note 11)	-	-	(8,171,693)	(26,429)	(8,198,122)	(5,627,271)
Net assets, end of year	\$ 440,187	\$ 235,069	\$16,105,228	\$ 5,104,860	\$ 21,885,344	\$ 22,744,406

See accompanying notes to the financial statements

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

**For the year ended December 31, 2012, with comparative figures for the year ended December 31, 2011**

	2012	2011
Cash provided by (used for)		
Operations:		
Excess of revenue over expenses	\$ 7,339,060	\$ 6,447,460
Items not involving cash:		
Amortization	110,134	92,284
Net change in fair value of investments	(582,430)	(507,563)
Change in non-cash operating items:		
Accounts receivable	469,355	713,441
Prepaid expenses	(57,696)	267
Accounts payable	(434,796)	409,202
Distributions to Regina Qu'Appelle Health Region	(8,198,122)	(5,627,271)
	(1,354,496)	1,527,820
Investing:		
Net disposals (purchases) of investments	1,950,000	(1,500,000)
Purchases of tangible capital assets	(36,673)	(342,706)
	1,913,327	(1,842,706)
Increase (decrease) in cash position	558,831	(314,886)
Cash position, beginning of year	2,611,272	2,926,157
Cash position, end of year	\$ 3,170,103	\$ 2,611,272

See accompanying notes to the financial statements

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

**For the year ended December 31, 2012**

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**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 and services 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.



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

**For the year ended December 31, 2012**

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

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 2012.

(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.

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

**For the year ended December 31, 2012**

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

	2012	2011
2012	\$ 73,083	234,139
2013	229,410	54,100
2014	109,000	31,000
thereafter	229,500	-
	\$ 640,993	319,239

Pledges have been designated as follows:

	2012	2011
Mother/baby "Small is BIG" Campaign	\$ -	702
Other equipment purchases and general support	640,993	318,537
	\$ 640,993	319,239

**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.

	2012	2011
Charitable remainder trusts	\$ 20,000	70,000
Insurance policies	205,889	210,115
Bequests	1,574,604	1,632,156
	\$ 1,800,493	1,912,271

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

**For the year ended December 31, 2012**

**5. Investments**

	2012	2011
Short-term investments:		
Savings deposits	\$ 5,037,891	2,362,478
Money market funds	7,349,447	7,162,715
Guaranteed investment certificates	16,000	4,554,863
Long-term investments	5,521,227	5,212,078
	\$ 17,924,565	19,292,134

The Foundation's short-term investments are comprised of funds bearing a floating rate of interest (\$5,037,891), money-market funds with no specified rate of return (\$7,349,447) and guaranteed investments (\$16,000). Money-market funds are redeemable on demand. Guaranteed investments have a maturity date of March 26, 2013 earning 2 per cent per annum.

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. Interest rate risk relates to the possibility that the investment will change in value due to future fluctuations in market interest rates. 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.

**6. Tangible capital assets**

		2012	2011
	Cost	Accumulated Amortization	Carrying Value
Computer hardware	\$ 83,671	72,234	11,437
Computer software	144,732	103,878	40,854
Donor recognition centers	271,997	118,102	153,895
Equipment	37,165	28,301	8,864
Furniture	119,740	63,105	56,635
Leasehold improvements	261,698	93,196	168,502
	\$ 919,003	478,816	440,187

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

**For the year ended December 31, 2012**

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**7. Charitable gaming revenue**

	2012	2011
Lottery revenue	\$ 8,418,199	\$ 8,067,920
Lottery expenses		
Prizes	3,671,066	3,574,255
Marketing and administration charges	1,323,591	1,280,305
	3,423,542	3,213,360
Provincial Gaming Grant	102,090	171,194
Hotels helping hospitals	54,309	78,428
	\$ 3,579,941	\$ 3,462,982

**8. Investment income**

	2012	2011
Interest – guaranteed investments	\$ 44,870	\$ 44,000
Interest – money market funds	44,636	53,705
Interest – bank deposits	2,412	6,237
Interest and dividends on long-term investments	473,358	352,815
	565,276	456,757
Unrealized gain in market value of long-term investments	92,150	115,986
Investment management fees	(68,167)	(55,417)
	\$ 589,257	\$ 517,326

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

**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, 2012 was \$235,069 (2011 - \$274,224).

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

**For the year ended December 31, 2012**

**9. Restricted funds (continued)**

• **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 Capital	Designations and Earnings	Fund Balance 2012	Fund Balance 2011
MRI	\$ 1,383,674	878,773	2,262,447	\$ 2,113,367
Fleming medical education	698,952	307,654	1,006,606	949,726
Caring for Life	396,265	432,658	828,923	779,605
Schmirler (NICU)	137,324	139,226	276,550	258,330
GI / Endoscopy	86,377	152,371	238,748	223,019
Cardiac Care	102,332	95,259	197,591	184,573
Nursing research	-	104,914	104,914	97,738
Nuclear pharmacy	21,240	20,922	42,162	39,385
McIntosh Veterans'	-	146,919	146,919	137,242
	\$ 2,685,461	2,419,400	5,104,860	\$ 4,782,985

**10. Commitments**

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

2013 - \$124,320  
2014 - \$124,320  
2015 - \$ 31,080

**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 \$2,548,845 are outstanding at December 31, 2012 (2011 - \$2,716,204).

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

**For the year ended December 31, 2012**

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**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 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. Adoption of Accounting Standards for Not-for-Profit Organizations**

Effective January 1, 2012, the Foundation adopted Canadian accounting standards for not-for-profit organizations. These are the Foundation's first financial statements prepared in accordance with these accounting standards and the transitional provisions of Section 1501 have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policy note have been applied in preparing the financial statements for the year ended December 31, 2012 and the comparative information presented in these financial statements for the year ended December 31, 2011.

The Foundation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by pre-changeover standards of the CICA Handbook - Accounting. The adoption of Canadian accounting standards for not-for-profit organizations had no impact on the previously reported assets, liabilities and net assets of the Foundation and accordingly, no adjustments have been recorded in the comparative statement of financial position and the statements of operations and net assets and cash flows. In addition, as no changes were required, an opening statement of financial position at January 1, 2011 (the Foundation's date of transition) has not been presented.

**15. Comparative figures**

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