



HOSPITALS OF REGINA
FOUNDATION

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

For the year ended December 31, 2015

HOSPITALS OF REGINA FOUNDATION INC.

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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, 2015, 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, 2015, 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.

Comparative Information

The financial statements of Hospitals of Regina Foundation Inc. as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 11, 2015.

KPMG LLP

Chartered Professional Accountants

March 10, 2016
Regina, Canada

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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 10, 2016

HOSPITALS OF REGINA FOUNDATION INC.
Statement of Financial Position

December 31, 2015 with comparative information for December 31, 2014

	General Fund	Endowment and Special Purpose Funds	Total 2015	Total 2014
Assets				
Current assets				
Cash	\$ 2,967,538	\$ -	\$ 2,967,538	\$ 2,684,509
Short-term investments (note 5)	6,822,391	-	6,822,391	8,326,458
Accounts receivable	790,965	-	790,965	848,431
Prepaid expenses	32,267	-	32,267	53,493
Pledges receivable (note 3)	2,564,065	-	2,564,065	1,170,326
Planned giving receivable (note 4)	229,381	-	229,381	511,244
	13,406,607	-	13,406,607	13,594,461
Investments (note 5)	5,715,279	6,393,289	12,108,568	11,588,909
Tangible capital assets (note 6)	354,372	-	354,372	387,464
	\$ 19,476,258	\$ 6,393,289	\$ 25,869,547	\$ 25,570,834
Liabilities, deferred contributions and net assets				
Liabilities				
Accounts payable	\$ 2,102,631	\$ -	\$ 2,102,631	\$ 1,007,056
	2,102,631	-	2,102,631	1,007,056
Deferred contributions				
Deferred pledge revenue (note 3)	2,564,065	-	2,564,065	1,170,326
Deferred planned gifts (note 4)	229,381	-	229,381	511,244
	2,793,446	-	2,793,446	1,681,570
Net assets				
Investment in tangible capital assets	354,372	-	354,372	387,464
Operating reserve	376,053	-	376,053	242,571
Designated funds	13,849,756	-	13,849,756	16,138,162
Endowment and special purpose funds (note 9)	-	6,393,289	6,393,289	6,114,011
	14,580,181	6,393,289	20,973,470	22,882,208
	\$ 19,476,258	\$ 6,393,289	\$ 25,869,547	\$ 25,570,834

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, 2015 with comparative information for the year ended December 31, 2014

	Investment in Capital Assets	Operating Reserve	Designated Funds	Endowment and Special Purpose Funds	2015	2014
Revenue:						
Charitable giving	\$ -	\$ 131,810	\$ 4,205,608	\$ -	\$ 4,337,418	\$ 5,477,508
Charitable gaming	-	-	3,328,821	-	3,328,821	3,259,052
Investment income	-	2,828	493,414	423,846	920,088	461,741
Unrealized gains/(losses) on investments	-	(1,156)	(151,855)	(144,567)	(297,578)	661,143
	-	133,482	7,875,988	279,279	8,288,749	9,859,444
Expenses:						
Direct fundraising costs	-	-	177,292	-	177,292	269,617
Administration	81,148	-	550,054	-	631,202	759,863
Communications and marketing	-	-	82,953	-	82,953	182,623
Salaries and benefits	-	-	964,073	-	964,073	1,377,736
	81,148	-	1,774,372	-	1,855,520	2,589,839
Excess (deficiency) of revenue over expenses	(81,148)	133,482	6,101,616	279,279	6,433,229	7,269,605
Net assets, beginning of year	387,464	242,571	16,138,162	6,114,011	22,882,208	26,003,221
Transfers	48,056	-	(80,092)	32,036	-	-
Distributions to Regina Qu'Appelle Health Region (note 9)	-	-	(8,309,930)	(32,037)	(8,341,967)	(10,390,618)
Net assets, end of year	\$ 354,372	\$ 376,053	\$ 13,849,756	\$ 6,393,289	\$ 20,973,470	\$ 22,882,208

See accompanying notes to the financial statements

HOSPITALS OF REGINA FOUNDATION INC.
Statement of Cash Flows

For the year ended December 31, 2015, with comparative information for the year ended December 31, 2014

	2015	2014
Cash provided by (used for)		
Operations:		
Excess of revenue over expenses	\$ 6,433,229	\$ 7,269,605
Items not involving cash:		
Amortization of tangible capital assets	81,148	116,488
Net change in fair value of investments	(515,592)	1,124,330
Change in non-cash operating items:		
Accounts receivable	57,466	(308,682)
Prepaid expenses	21,226	11,178
Accounts payable	1,095,575	908,598
	7,173,052	9,121,517
Investing:		
Net disposals of investments	1,500,000	-
Purchases of tangible capital assets	(48,056)	(143,016)
	1,451,944	(143,016)
Financing:		
Distribution to Regina Qu'Appelle Health Region	(8,341,967)	(10,390,618)
	(8,341,967)	(10,390,618)
Increase (decrease) in cash position	283,029	(1,412,117)
Cash position, beginning of year	2,684,509	4,096,626
Cash position, end of year	\$ 2,967,538	\$ 2,684,509

See accompanying notes to the financial statements

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2015

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 income, and contingencies. 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 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 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 2015.

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2015

2. Significant Accounting Policies (continued)

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 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 reported in Investment in Capital Assets fund.

(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 determined based on closing market values at end of the period. 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. 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, 2015

3. Pledges Receivable and Deferred Pledge Revenue

	2015	2014
2015	\$ -	\$ 431,910
2016	414,523	207,929
thereafter	2,149,542	530,487
	\$ 2,564,065	\$ 1,170,326

Pledges have been designated as follows:

	2015	2014
Pediatrics capital campaign	\$ 623,827	\$ 698,302
Other equipment purchases and general support	1,940,238	472,024
	\$ 2,564,065	\$ 1,170,326

4. Planned Giving Receivable and Deferred Planned Gifts

	2015	2014
Charitable remainder trusts	\$ 20,000	\$ 20,000
Insurance policies	205,889	205,889
Bequests	3,492	285,355
	\$ 229,381	\$ 511,244

5. Investments

	2015	2014
Short-term investments:		
Savings deposits	\$ 583,066	\$ 675,694
Money market funds	6,239,325	7,650,764
	6,822,391	8,342,458
Long-term investments		
Pooled equity fund	6,003,875	5,809,074
Pooled bond fund	6,104,693	5,779,835
	12,108,568	11,588,909
	18,930,959	19,915,367

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2015

5. Investments (continued)

The Foundation's short-term investments are comprised of saving deposits bearing a floating rate of interest and money-market funds with no specified rate of return. The long-term investments are comprised of pooled equity funds and a pooled bond fund. 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 3% yield in 2015.

6. Tangible Capital Assets

		2015		2014	
	Cost	Accumulated Amortization	Carrying Value	Carrying Value	
Computer hardware & software	\$ 241,228	\$ 217,333	\$ 23,895	\$ 27,497	
Donor recognition centers	336,553	150,627	185,926	186,133	
Furniture & equipment	162,673	104,395	58,278	65,993	
Leasehold improvements	261,698	175,425	86,273	107,841	
	\$ 1,002,152	\$ 647,780	\$ 354,372	\$ 387,464	

7. Charitable Gaming Revenue

	2015	2014
Lottery revenue	\$ 10,062,080	\$ 9,687,436
Lottery expenses		
Prizes	4,498,756	4,361,967
Marketing and administration charges	2,332,479	2,205,971
	3,230,944	3,119,498
Provincial Gaming Grant	102,050	100,161
Hotels helping hospitals	5,101	39,393
	\$ 3,338,095	\$ 3,259,052

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:

2016 – \$118,732
 2017 – \$118,732
 2018 – \$118,732
 2019 – \$118,732
 2020 – \$118,732
 Thereafter – \$29,683

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2015

9. Endowment and Special Purpose Fund

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 2015	Fund Balance 2014
MRI	\$ 1,450,787	\$ 1,198,122	\$ 2,648,909	\$ 2,533,164
Fleming Medical Education	698,952	555,460	1,254,412	1,199,577
Caring for Life	396,265	680,170	1,076,435	1,029,425
Schmirler (NICU)	137,324	211,380	348,704	333,500
GI / Endoscopy	153,490	221,013	374,503	358,149
Cardiac Care	169,445	153,263	322,708	308,618
Nursing Research	-	132,982	132,982	127,175
Nuclear Pharmacy	21,240	28,151	49,391	47,237
Mcintosh Veterans'	-	185,245	185,245	177,166
	\$ 3,027,503	\$ 3,365,786	\$ 6,393,289	\$ 6,114,011

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 \$3,041,585 outstanding at December 31, 2015 (2014 - \$5,009,499).

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 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 and pledges receivable 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 saving deposits, money market fund, pooled equity fund, and the bond pooled 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 2014.

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2015

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 2014.

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 exposures from 2014.

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 Authority to purchase medical equipment and to fund medical education and research.

The Foundation has obtained consulting and legal services for fees from companies in which Board members are owners, partners or senior managers. Details of the aggregate transaction listed below.

Related Party	2015	2014
MNP LLP	\$ 10,510	\$ 53,263
MacPherson Leslie & Tyerman LLP	33,503	59,305
Avion Services Corp.	14,505	10,749
Total Payments	\$ 58,518	\$ 123,317

14. Comparative Figures

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