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Financial Statements of
HOSPITALS OF REGINA FOUNDATION INC.

For the year ended December 31, 2019

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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 18, 2020



KPMG LLP
Hill Centre Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada
Telephone (306) 791-1200
Fax (306) 757-4703

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Hospitals of Regina Foundation Inc. (the Foundation), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of operations for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants

Regina, Canada
March 18, 2020

HOSPITALS OF REGINA FOUNDATION INC.
Statement of Financial Position

December 31, 2019 with comparative information for December 31, 2018

	General Fund	Endowment and Special Purpose Funds	Total 2019	Total 2018
Assets				
Current assets				
Cash	\$ 232,477	\$ -	\$ 232,477	\$ 579,761
Short-term investments (note 5)	23,009,099	-	23,009,099	15,672,409
Accounts receivable	326,004	-	326,004	748,552
Prepaid expenses	79,348	-	79,348	49,973
Pledges receivable (note 3)	1,618,786	-	1,618,786	491,055
Planned giving receivable (note 4)	977,764	-	977,764	410,878
Due from (to) other funds	149,590	(149,590)	-	-
	26,393,068	(149,590)	26,243,478	17,952,628
Investments (note 5 and 9)	11,634,567	8,177,392	19,811,959	17,540,220
Tangible capital assets (note 6)	206,043	-	206,043	221,809
	\$ 38,233,678	\$ 8,027,802	\$ 46,261,480	\$ 35,714,657
Liabilities, deferred contributions and net assets				
Liabilities				
Accounts payable	\$ 861,560	\$ -	\$ 861,560	\$ 530,631
Deferred contributions				
Deferred pledge revenue (note 3)	1,618,786	-	1,618,786	491,055
Deferred planned gifts (note 4)	977,764	-	977,764	410,878
	2,596,550	-	2,596,550	901,933
Net assets				
Investment in tangible capital assets	206,043	-	206,043	221,809
Operating reserve	1,000,000	-	1,000,000	1,000,000
Designated funds	33,569,525	-	33,569,525	25,979,100
Endowment and special purpose funds	-	8,027,802	8,027,802	7,081,184
	34,775,568	8,027,802	42,803,370	34,282,093
Commitments (notes 8 and 10)				
	\$ 38,233,678	\$ 8,027,802	\$ 46,261,480	\$ 35,714,657

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, 2019 with comparative information for the year ended December 31, 2018

	Investment in Capital Assets	Operating Reserve	Designated Funds	Endowment and Special Purpose Funds	2019	2018
Revenue:						
Charitable giving	\$ -	\$ -	\$ 7,589,425	\$ -	\$ 7,589,425	\$ 4,449,786
Charitable gaming (note 7)	-	-	4,172,041	-	4,172,041	3,984,463
Investment income	-	14,896	532,862	134,662	682,420	704,606
Unrealized gains (losses) on investments	-	33,150	1,115,954	835,463	1,984,567	(725,579)
	-	48,046	13,410,282	970,125	14,428,453	8,413,276
Expenses:						
Direct fundraising costs	-	-	339,427	-	339,427	338,211
Administration	49,585	-	345,923	-	395,508	425,016
Communications and marketing	-	-	83,639	-	83,639	100,216
Salaries and benefits	-	-	1,290,692	-	1,290,692	1,218,088
	49,585	-	2,059,681	-	2,109,266	2,081,531
Excess (deficiency) of revenue over expenses	(49,585)	48,046	11,350,601	970,125	12,319,187	6,331,745
Net assets, beginning of year	221,809	1,000,000	25,979,100	7,081,184	34,282,093	30,620,948
Transfers	33,819	(48,046)	14,227	-	-	-
Distributions to Saskatchewan Health Authority (note 10)	-	-	(3,774,403)	(23,507)	(3,797,910)	(2,670,600)
Net assets, end of year	\$ 206,043	\$ 1,000,000	\$ 33,569,525	\$ 8,027,802	\$ 42,803,370	\$ 34,282,093

See accompanying notes to the financial statements

HOSPITALS OF REGINA FOUNDATION INC.
Statement of Cash Flows

For the year ended December 31, 2019, with comparative information for the year ended December 31, 2018

	2019	2018
Cash provided by (used for)		
Operations:		
Excess of revenue over expenses	\$ 12,319,187	\$ 6,331,745
Items not involving cash:		
Amortization of tangible capital assets	49,585	60,269
Net change in fair value of investments	(2,658,429)	26,223
Change in non-cash operating items:		
Accounts receivable	422,548	(27,566)
Prepaid expenses	(29,375)	18,099
Accounts payable	330,929	(186,649)
	10,434,445	6,222,121
Investing:		
Net purchases of investments	(6,950,000)	(3,800,000)
Purchases of tangible capital assets	(33,819)	(1,275)
	(6,983,819)	(3,801,275)
Financing:		
Distributions to Saskatchewan Health Authority	(3,797,910)	(2,670,600)
Decrease in cash	(347,284)	(249,754)
Cash, beginning of year	579,761	829,515
Cash, end of year	\$ 232,477	\$ 579,761

See accompanying notes to the financial statements

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2019

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 Saskatchewan Health Authority (the "Authority").

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 in accordance with the restricted fund method. 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.

Funds are set aside up to a maximum of \$1,000,000 to stabilize the Foundation'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 results of the lotteries which ended within the fiscal year 2019.

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2019

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 reserve.

(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) 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.

(g) 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.

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2019

3. Pledges Receivable and Deferred Pledge Revenue

	2019	2018
2019	\$ -	\$ 385,055
2020	630,786	-
thereafter	988,000	106,000
	\$ 1,618,786	\$ 491,055

Pledges have been designated as follows:

	2019	2018
Trauma campaign	\$ 80,000	\$ 330,000
Surgical campaign	400,000	-
Cardiac Care campaign	808,049	-
Other equipment purchases and general support	330,737	161,055
	\$ 1,618,786	\$ 491,055

4. Planned Giving Receivable and Deferred Planned Gifts

	2019	2018
Insurance policies	\$ 205,889	\$ 205,889
Bequests	771,875	204,989
	\$ 977,764	\$ 410,878

5. Investments

	2019	2018
Short-term investments:		
Savings deposits	\$ 19,489,418	\$ 12,259,316
Pooled bond funds	3,519,681	3,413,093
	23,009,099	15,672,409
Long-term investments		
Pooled equity funds	8,784,250	7,276,757
Pooled bond funds	11,027,709	10,263,463
	19,811,959	17,540,220
	\$ 42,821,058	\$ 33,212,629

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2019

5. Investments (continued)

The Foundation's short-term investments are comprised of saving deposits bearing a floating rate of interest (2018 – floating rate of interest) and pooled bond funds. The long-term investments are comprised of pooled equity funds and pooled bond funds. The Foundation's investments in pooled funds have no fixed maturity dates and fund returns are based on the success of the fund managers. The pooled bond funds generated a yield in 2018 of 3.6% (2018 – 2.1%).

6. Tangible Capital Assets

		2019		2018
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Computer hardware and software	\$ 164,115	\$ 135,543	\$ 28,572	\$ 40,651
Donor recognition centers	367,072	263,449	103,623	95,194
Furniture and equipment	166,152	127,642	38,510	41,792
Leasehold improvements	261,698	226,360	35,338	44,172
	\$ 959,037	\$ 752,994	\$ 206,043	\$ 221,809

7. Charitable Gaming Revenue

	2019	2018
Lottery revenue	\$ 11,054,183	\$ 10,700,903
Lottery expenses		
Prizes	4,429,394	4,346,284
Marketing and administration charges	2,552,748	2,470,156
	4,072,041	3,884,463
Provincial Gaming Grant	100,000	100,000
	\$ 4,172,041	\$ 3,984,463

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:

2020 – \$ 129,516
 2021 – \$ 32,379

The Foundation lottery program main prizes are committed for in advance. The total commitment as at December 31, 2019 is \$1,280,000 (2018 - \$2,880,000).

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2019

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.

	Endowment Capital	Designations and Earnings	Fund Balance 2019	Fund Balance 2018
MRI	\$ 1,450,787	\$ 1,937,353	\$ 3,388,140	\$ 2,986,194
Fleming Medical Education	698,952	905,550	1,604,502	1,414,155
Caring for Life	396,265	980,551	1,376,816	1,213,479
Schmirler (NICU)	137,324	308,664	445,988	393,079
GI / Endoscopy	153,490	325,516	479,006	422,180
Cardiac Care	169,445	243,311	412,756	363,790
Nursing Research	-	170,089	170,089	149,900
Nuclear Pharmacy	21,240	41,930	63,170	55,673
Mcintosh Veterans'	-	236,925	236,925	208,817
	\$ 3,027,503	\$ 5,149,889	\$ 8,177,392	\$ 7,207,267

10. Distributions to Saskatchewan Health Authority

The Foundation has a policy of disbursing funds to the Saskatchewan Health Authority 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 Authority.

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 \$5,007,055 were outstanding at December 31, 2019 (2018 - \$3,113,903).

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. There has been no change in the risk exposure from 2018.

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.

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2019

11. Financial Risk and Concentration of Risk (continued)

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 2018.

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 2018.

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 2018.

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 Saskatchewan 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.

The Foundation has purchased services from companies in which Board members are owners, partners or senior managers in the amount of \$99,923 (2018 - \$181,251).