



HOSPITALS OF REGINA
FOUNDATION

Better lives. Made possible by you.

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

For the year ended December 31, 2017

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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 21, 2018



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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, 2017, 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, 2017, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

March 21, 2018
Regina, Canada

HOSPITALS OF REGINA FOUNDATION INC.
Statement of Financial Position

December 31, 2017 with comparative information for December 31, 2016

	General Fund	Endowment and Special Purpose Funds	Total 2017	Total 2016
Assets				
Current assets				
Cash	\$ 829,515	\$ -	\$ 829,515	\$ 409,322
Short-term investments (note 5)	11,675,441	-	11,675,441	8,887,804
Accounts receivable	720,986	-	720,986	673,628
Prepaid expenses	68,072	-	68,072	105,473
Pledges receivable (note 3)	817,600	-	817,600	1,095,628
Planned giving receivable (note 4)	478,255	-	478,255	298,902
Due from (to) other funds	99,667	(99,667)	-	-
	14,689,536	(99,667)	14,589,869	11,470,757
Investments (note 5)	10,456,033	7,307,378	17,763,411	15,998,393
Tangible capital assets (note 6)	280,803	-	280,803	306,287
	\$ 25,426,372	\$ 7,207,711	\$ 32,634,083	\$ 27,775,437
Liabilities, deferred contributions and net assets				
Liabilities				
Accounts payable	\$ 717,280	\$ -	\$ 717,280	\$ 498,900
	717,280	-	717,280	498,900
Deferred contributions				
Deferred pledge revenue (note 3)	817,600	-	817,600	1,095,628
Deferred planned gifts (note 4)	478,255	-	478,255	298,902
	1,295,855	-	1,295,855	1,394,530
Net assets				
Investment in tangible capital assets	280,803	-	280,803	306,287
Operating reserve	997,354	-	997,354	540,307
Designated funds	22,135,080	-	22,135,080	18,234,701
Endowment and special purpose funds (note 9)	-	7,207,711	7,207,711	6,800,712
	23,413,237	7,207,711	30,620,948	25,882,007
Commitments (note 8 and 10)				
	\$ 25,426,372	\$ 7,207,711	\$ 32,634,083	\$ 27,775,437

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, 2017 with comparative information for the year ended December 31, 2016

	Investment in Capital Assets	Operating Reserve	Designated Funds	Endowment and Special Purpose Funds	2017	2016
Revenue:						
Charitable giving	\$ -	\$ -	\$ 4,652,359	\$ -	\$ 4,652,359	\$ 5,363,196
Charitable gaming	-	-	3,572,565	-	3,572,565	3,269,426
Investment income	-	12,762	394,151	212,263	619,176	597,160
Unrealized gains/(losses) on investments	-	(18,205)	268,886	229,298	479,979	392,636
	-	(5,443)	8,887,961	441,561	9,324,079	9,622,418
Expenses:						
Direct fundraising costs	-	-	392,732	-	392,732	92,820
Administration	61,489	-	344,651	-	406,140	461,844
Communications and marketing	-	-	78,279	-	78,279	82,643
Salaries and benefits	-	-	1,190,827	-	1,190,827	1,107,473
	61,489	-	2,006,489	-	2,067,978	1,744,780
Excess (deficiency) of revenue over expenses	(61,489)	(5,443)	6,881,472	441,561	7,256,101	7,877,638
Net assets, beginning of year	306,287	540,307	18,234,701	6,800,712	25,882,007	20,973,470
Transfers	36,005	462,490	(498,495)	-	-	-
Distributions to Regina Qu'Appelle Health Region (note 10)	-	-	(2,482,598)	(34,562)	(2,517,160)	(2,969,101)
Net assets, end of year	\$ 280,803	\$ 997,354	\$ 22,135,080	\$ 7,207,711	\$ 30,620,948	\$ 25,882,007

See accompanying notes to the financial statements

HOSPITALS OF REGINA FOUNDATION INC.
Statement of Cash Flows

For the year ended December 31, 2017, with comparative information for the year ended December 31, 2016

	2017	2016
Cash provided by (used for)		
Operations:		
Excess of revenue over expenses	\$ 7,256,101	\$ 7,877,638
Items not involving cash:		
Amortization of tangible capital assets	61,489	78,602
Net change in fair value of investments	(1,100,004)	(995,238)
Change in non-cash operating items:		
Accounts receivable	(47,358)	117,337
Prepaid expenses	37,401	(73,206)
Accounts payable	218,380	(1,603,731)
	<u>6,426,009</u>	<u>5,401,402</u>
Investing:		
Net purchases of investments	(3,452,651)	(4,960,000)
Purchases of tangible capital assets	(36,005)	(30,517)
	<u>(3,488,656)</u>	<u>(4,990,517)</u>
Financing:		
Distributions to Regina Qu'Appelle Health Region	(2,517,160)	(2,969,101)
	<u>(2,517,160)</u>	<u>(2,969,101)</u>
Increase (decrease) in cash	420,193	(2,558,216)
Cash, beginning of year	409,322	2,967,538
Cash, end of year	<u>\$ 829,515</u>	<u>\$ 409,322</u>

See accompanying notes to the financial statements

For the year ended December 31, 2017

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 "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. Funds are set aside to stabilize a nonprofit's finances by providing a cushion against unexpected events, losses of revenue, and large unbudgeted expenses. Fund balances and their adequacy will be reviewed on an annual basis. This internally restricted amount is not available for other purposes without approval by the Board of Directors.

(b) Revenue Recognition:

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

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

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

The Foundation raises funds through two lotteries conducted under lottery licenses issued by the Saskatchewan Liquor and Gaming Authority. These financial statements reflect the net results of the lotteries which ended within the fiscal year 2017.

For the year ended December 31, 2017

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 at 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 charge directly to Investment in capital assets.

(d) Financial Assets and Liabilities:

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method. Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial assets. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial assets or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Income Taxes

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

(f) Use of Estimates:

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

(g) Volunteer Services:

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

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2017

3. Pledges Receivable and Deferred Pledge Revenue

	2017		2016	
2017	\$	-	\$	1,012,628
2018		447,733		31,000
thereafter		369,867		52,000
	\$	817,600	\$	1,095,628

Pledges have been designated as follows:

	2017		2016	
Pediatrics capital campaign	\$	-	\$	498,408
Other equipment purchases and general support		817,600		597,220
	\$	817,600	\$	1,095,628

4. Planned Giving Receivable and Deferred Planned Gifts

	2017		2016	
Insurance policies	\$	205,889	\$	232,889
Bequests		272,366		66,013
	\$	478,255	\$	298,902

5. Investments

	2017		2016	
Short-term investments:				
Savings deposits	\$	8,315,020	\$	5,563,473
Money market funds		3,360,421		3,324,331
		11,675,441		8,887,804
Long-term investments:				
Pooled equity fund		8,178,687		7,199,050
Pooled bond fund		9,584,724		8,799,343
		17,763,411		15,998,393
	\$	29,438,852	\$	24,886,197

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2017

5. Investments (continued)

The Foundation's short-term investments are comprised of saving deposits bearing a floating rate of interest (2016 – floating rate of interest) and money-market funds with no specified rate of return (2016 – no specified rate of return). The long-term investments are comprised of pooled equity funds and pooled bond funds. The Foundation's long-term investments in pooled funds have no fixed maturity dates and fund returns are based on the success of the fund managers. The pooled bond fund generated a yield in 2017 of 1.6% (2016 – 2.4%).

6. Tangible Capital Assets

	Cost	2017		2016
		Accumulated Amortization	Carrying Value	Carrying Value
Computer hardware and software	\$ 161,073	\$ 101,690	\$ 59,383	\$ 37,169
Donor recognition centers	336,553	217,560	118,993	148,741
Furniture and equipment	164,619	117,407	47,212	51,358
Leasehold improvements	261,698	206,483	55,215	69,019
	\$ 923,943	\$ 643,140	\$ 280,803	\$ 306,287

7. Charitable Gaming Revenue

	2017	2016
Lottery revenue	\$ 10,413,054	\$ 9,966,241
Lottery expenses		
Prizes	4,502,462	4,551,066
Marketing and administration charges	2,438,027	2,245,749
	3,472,565	3,169,426
Provincial Gaming Grant	100,000	100,000
	\$ 3,572,565	\$ 3,269,426

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:

2018 – \$ 129,120
 2019 – \$ 129,120
 2020 – \$ 129,120
 2021 – \$ 32,280

The Foundation lottery program main prizes are committed for in advance. The total commitment as at December 31, 2017 is \$2,830,000 (2016 - \$2,805,000).

For the year ended December 31, 2017

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 2017	Fund Balance 2016
MRI	\$ 1,450,787	\$ 1,576,880	\$ 3,027,667	\$ 2,844,715
Fleming Medical Education	698,952	734,843	1,433,795	1,282,052
Caring for Life	396,265	834,068	1,230,333	1,155,988
Schmirler (NICU)	137,324	261,214	398,538	374,455
GI / Endoscopy	153,490	274,553	428,043	402,178
Cardiac Care	169,445	199,397	368,842	346,554
Nursing Research	-	151,992	151,992	142,808
Nuclear Pharmacy	21,240	35,210	56,450	53,038
Mcintosh Veterans'	-	211,718	211,718	198,924
	\$ 3,027,503	\$ 4,279,875	\$ 7,307,378	\$ 6,800,712

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 \$2,634,140 were outstanding at December 31, 2017 (2016 - \$1,645,712).

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 2016.

Credit Risk

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

Credit risk within investments is primarily related to savings deposits and money market fund. The Board has developed investment guidelines that limit debt instruments to those of high credit quality along with limits to the maximum notional amount of exposure. There has been no change in the risk exposures from 2016.

For the year ended December 31, 2017

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 2016.

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 2016.

12. Fair Values

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

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

13. Related Party Transactions

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

The Foundation has purchased services from companies in which Board members are owners, partners or senior managers in the amount of \$188,470 (2016 - \$253,309).

14. Comparative Figures

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