



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

For the year ended December 31, 2013

HOSPITALS OF REGINA FOUNDATION INC.

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Hospitals of Regina Foundation Inc. are the responsibility of management. Management has prepared the financial statements in accordance with Canadian accounting standards for not-for-profit organizations. The Foundation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and complete in all material respects, and that the Foundation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Committee, whose members are appointed by the Board. The Audit and Finance Committee meets with management and the external auditors to discuss internal controls over the financial reporting process, audit findings, financial reporting issues, and to satisfy itself that each party has properly discharged its responsibilities. The Audit and Finance Committee reports its findings to the Board for consideration when approving the financial statements for issuance to the members in the annual report.



Judy Davis, CFRE
Chief Executive Officer

March 19, 2014

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, 2013 and the statements of operations and changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hospitals of Regina Foundation Inc. as at December 31, 2013 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

March 19, 2014
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HOSPITALS OF REGINA FOUNDATION INC.
Statement of Financial Position

December 31, 2013, with comparative figures for December 31, 2012

	General Fund	Endowment and Special Purpose Funds	Total 2013	Total 2012
Assets				
Current assets				
Cash	\$ 4,096,626	\$ -	\$ 4,096,626	\$ 3,170,103
Short-term investments (note 5)	15,095,058	-	15,095,058	12,403,338
Accounts receivable	539,749	-	539,749	249,381
Prepaid expenses	64,671	-	64,671	156,412
Pledges receivable (note 3)	1,622,456	-	1,622,456	1,374,023
Planned giving receivable (note 4)	1,910,682	-	1,910,682	1,800,493
Due from (to) other funds	290,668	(290,668)	-	-
	23,619,911	(290,668)	23,329,242	19,153,750
Investments (note 5)	233,359	5,711,280	5,944,639	5,521,227
Tangible capital assets (note 6)	360,936	-	360,936	440,187
	\$ 24,214,206	\$ 5,420,612	\$ 29,634,817	\$ 25,115,164
Liabilities, deferred contributions and net assets				
Liabilities				
Accounts payable	\$ 98,458	\$ -	\$ 98,458	\$ 55,304
	98,458	-	98,458	55,304
Deferred contributions				
Deferred pledge revenue (note 3)	1,622,456	-	1,622,456	1,374,023
Deferred planned gifts (note 4)	1,910,682	-	1,910,682	1,800,493
	3,533,138	-	3,533,138	3,174,516
Net assets				
Investment in tangible capital assets	360,936	-	360,936	440,187
Operating reserve (note 9)	233,359	-	233,359	235,069
Designated funds	19,988,315	-	19,988,314	16,105,228
Endowment and special purpose funds (note 9)	-	5,420,612	5,420,612	5,104,860
	20,582,610	5,420,612	26,003,221	21,885,344
	\$ 24,214,206	\$ 5,420,612	\$ 29,634,817	\$ 25,115,164
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, 2013, with comparative figures for the year ended December 31, 2012

	Investment in Capital Assets	Operating Reserve	Designated Funds	Endowment and Special Purpose Funds	2013	2012
Revenue:						
Charitable giving	\$ -	\$ -	\$ 8,594,792	\$ 201,339	\$ 8,796,131	\$ 5,773,440
Charitable gaming (note 7)	-	-	2,912,225	-	2,912,225	3,022,327
Investment income (note 8)	-	(1,710)	203,694	425,122	627,106	589,257
	-	(1,710)	11,710,711	626,461	12,335,462	9,385,024
Expenses:						
Direct fundraising costs	-	-	336,501	-	336,501	387,485
Administration	90,261	-	482,556	3,449	576,266	561,775
Communications and marketing	-	-	176,539	-	176,539	159,062
Salaries and benefits	-	-	1,080,554	-	1,080,554	937,642
	90,261	-	2,076,150	3,449	2,169,860	2,045,964
Excess (deficiency) of revenue over expenses	(90,261)	(1,710)	9,634,561	623,012	10,165,602	7,339,060
Net assets, beginning of year	440,187	235,069	16,105,228	5,104,860	21,885,344	22,744,406
Transfers	11,010	-	(11,010)	-	-	-
Distributions to Regina Qu'Appelle Health Region (note 11)	-	-	(5,740,465)	(307,260)	(6,047,725)	(8,198,122)
Net assets, end of year	\$ 360,936	\$ 233,359	\$19,988,314	\$ 5,420,612	\$ 26,003,221	\$ 21,885,344

See accompanying notes to the financial statements

HOSPITALS OF REGINA FOUNDATION INC.
Statement of Cash Flows

For the year ended December 31, 2013, with comparative figures for the year ended December 31, 2012

	2013	2012
Cash provided by (used for)		
Operations:		
Excess of revenue over expenses	\$ 10,165,602	\$ 7,339,060
Items not involving cash:		
Amortization	90,261	110,134
Net change in fair value of investments	(615,132)	(582,431)
Change in non-cash operating items:		
Accounts receivable	(290,368)	469,355
Prepaid expenses	91,741	(57,696)
Accounts payable	43,154	(434,796)
Distributions to Regina Qu'Appelle Health Region	(6,047,725)	(8,198,122)
	3,437,533	(1,354,496)
Investing:		
Net disposals (purchases) of investments	(2,500,000)	1,950,000
Purchases of tangible capital assets	(11,010)	(36,673)
	(2,511,010)	1,913,327
Increase (decrease) in cash position	926,523	558,831
Cash position, beginning of year	3,170,103	2,611,272
Cash position, end of year	\$ 4,096,626	\$ 3,170,103

See accompanying notes to the financial statements

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2013

1. Purpose of the organization

The Hospitals of Regina Foundation Inc. (the "Foundation") was incorporated in 1987 under the provisions of the *Non-Profit Corporations Act (Saskatchewan)*. The Foundation solicits, manages and distributes funds for the purchase of medical equipment, education and research to the benefit of patients served by the Regina General Hospital, the Pasqua Hospital and the Wascana Rehabilitation Centre, all of which operate under the authority of the Regina Qu'Appelle Health Region (the "Region").

2. Significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The most significant policies are as follows:

(a) Fund accounting:

The accounts of the Foundation are reported on a fund basis. A fund is defined as a self balancing accounting entity established to report the assets held against the capital of the fund or against monies received for specific designated purposes.

The General Fund accounts for the Foundation's fundraising, administrative and capital asset activities. The fund reports unrestricted resources and designated funds that are to be used for the purposes of which the funds were given.

The Endowment and Special Purpose Fund reports donations contributed for endowment and donations allocated for long-term special purposes, less authorized withdrawals for equipment, educational or research purposes.

(b) Revenue recognition:

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

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

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

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

The Foundation raises funds through two lotteries conducted under lottery licenses issued by the Saskatchewan Liquor and Gaming Authority. These financial statements reflect the results of the lotteries which ended within the fiscal year 2013.

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2013

2. Significant accounting policies (continued)

(c) Tangible capital assets:

Purchased tangible capital assets are recorded at cost. Contributed tangible capital assets are recorded at fair value at the date of contribution. Amortization is provided on a declining-balance basis over the assets' estimated useful lives, at rates varying from 3 to 10 years. Amortization expense is reported in the General Fund.

(d) Financial assets and liabilities:

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

(e) Income taxes:

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

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities. As well, disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period are included. Actual results could differ from those estimates.

(g) Volunteer services:

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

3. Pledges receivable and deferred pledge revenue

	2013	2012
2013	\$ -	73,083
2014	552,131	333,870
2015	426,376	210,020
thereafter	643,949	757,050
	\$ 1,622,456	1,374,023

Pledges have been designated as follows:

	2013	2012
Pediatrics capital campaign	\$ 800,000	900,000
Other equipment purchases and general support	822,456	474,023
	\$ 1,622,456	1,374,023

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2013

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.

	2013	2012
Charitable remainder trusts	\$ 20,000	20,000
Insurance policies	205,889	205,889
Bequests	1,684,793	1,574,604
	<u>\$ 1,910,682</u>	<u>1,800,493</u>

5. Investments

	2013	2012
Short-term investments:		
Savings deposits	\$ 7,612,761	5,037,891
Money market funds	7,466,297	7,349,447
Guaranteed investment certificates	16,000	16,000
Long-term investments	5,944,639	5,521,227
	<u>\$ 21,039,697</u>	<u>17,924,565</u>

The Foundation's short-term investments are comprised of funds bearing a floating rate of interest (\$7,612,761), money-market funds with no specified rate of return (\$7,466,297) and guaranteed investments (\$16,000). Money-market funds are redeemable on demand. Guaranteed investments have a maturity date of March 26, 2017 earning 1.6 per cent per annum.

Income and financial returns on investments are exposed to credit and price risks. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Price risk is composed of interest rate and market risk. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates and prices.

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

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2013

6. Tangible capital assets

		2013		2012	
	Cost	Accumulated Amortization	Carrying Value	Carrying Value	
Computer hardware	\$ 86,794	76,566	10,228	11,437	
Computer software	144,732	117,496	27,236	40,854	
Donor recognition centers	271,997	148,881	123,116	153,895	
Equipment	37,165	30,074	7,091	8,864	
Furniture	127,627	69,163	58,464	56,635	
Leasehold improvements	261,698	126,897	134,801	168,502	
	\$ 930,013	569,077	360,936	440,187	

7. Charitable gaming revenue

	2013		2012	
Lottery revenue	\$ 8,873,032		\$ 8,418,199	
Lottery expenses				
Prizes		4,066,623		3,671,066
Marketing and administration charges		2,032,594		1,881,205
		2,773,815		2,865,928
Provincial Gaming Grant		101,557		102,090
Hotels helping hospitals		36,853		54,309
	\$ 2,912,225		\$ 3,022,327	

8. Investment income

	2013		2012	
Interest – guaranteed investments	\$ 320		\$ 44,870	
Interest – money market funds	82,753		44,636	
Interest – bank deposits	4,714		2,412	
Interest and dividends on long-term investments	433,753		473,356	
	521,540		565,274	
Unrealized gain in market value of long-term investments	176,522		92,150	
Investment management fees	(70,956)		(68,167)	
	\$ 627,106		\$ 589,257	

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.

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2013

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, 2013 was \$233,359 (2012 - \$235,069).

• **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 2013	Fund Balance 2012
MRI	\$ 1,450,787	806,697	2,257,484	2,262,447
Fleming medical education	698,952	356,106	1,055,058	1,006,606
Caring for Life	396,265	492,871	889,136	828,923
Schmirler (NICU)	137,324	161,461	298,785	276,550
GI / Endoscopy	153,490	171,566	325,056	238,748
Cardiac Care	169,445	111,146	280,591	197,591
Nursing research	-	113,672	113,672	104,914
Nuclear pharmacy	21,240	20,863	42,103	42,162
McIntosh Veterans'	-	158,727	158,727	146,919
	\$ 3,027,503	2,393,109	5,420,612	\$ 5,104,860

10. Commitments

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

2014 - \$122,622
2015 - \$122,622
2016 - \$ 30,656

11. Distributions

The Foundation has a policy of disbursing funds to the Regina Qu'Appelle Health Region once a purchase order or other appropriate documentation denoting a firm commitment to purchase equipment or to fund medical research or education has been received by the Foundation from the Region.

There can be a delay from the time at which a commitment to provide funding is made to the time at which funding for equipment, research or education is actually made. Approved funding commitments of \$6,504,641 are outstanding at December 31, 2013 (2012 - \$2,548,825).

12. Fair values

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

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

HOSPITALS OF REGINA FOUNDATION INC.
Notes to the Financial Statements

For the year ended December 31, 2013

13. Related party transactions

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

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

14. Comparative figures

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