

Financial Statements of

**CHILDREN'S HOSPITAL
FOUNDATION OF
SASKATCHEWAN INC.**

Years ended July 31, 2013 and 2012



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INDEPENDENT AUDITORS' REPORT

To the Board

We have audited the accompanying financial statements of Children's Hospital Foundation of Saskatchewan Inc. which comprise the statement of financial position as at July 31, 2013, July 31, 2012 and August 1, 2011, the statements of operations, fund balances, and cash flows for the years ended July 31, 2013 and July 31, 2012 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 these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the entity derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the entity. Therefore, we were not able to determine whether any adjustments might be necessary to revenues and excess of revenues over expenses reported in the statements of operations, excess of revenues over expenses reported in the statement of cash flows, and current assets and net assets reported in the statement of financial position. This caused us to qualify our audit opinion of the financial statements as at and for the year ended July 31, 2013 and 2012.



Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Children's Hospital Foundation of Saskatchewan Inc. as at July 31, 2013, July 31, 2012 and August 1, 2011 and its results of operations and its cash flows for the years ended July 31, 2013 and July 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants

Saskatoon, Canada

November 12, 2013

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Statements of Financial Position

July 31, 2013, July 31, 2012 and August 1, 2011


	July 31, 2013	July 31, 2012	August 1, 2011
Assets			
Current assets:			
Cash	\$ 1,627,328	\$ 2,626,656	\$ 1,722,950
Accounts receivable	11,267	9,620	185,014
Prepaid expenses	17,114	15,215	13,785
	<u>1,655,709</u>	<u>2,651,491</u>	<u>1,921,749</u>
Capital assets (note 4)	9,767	9,819	8,766
Investments (note 5)	23,267,214	16,920,760	13,534,274
	<u>\$ 24,932,690</u>	<u>\$ 19,582,070</u>	<u>\$ 15,464,789</u>


Liabilities and Fund Balances

Current liabilities:			
Accounts payable and accrued liabilities	\$ 261,211	\$ 41,889	\$ 51,254
Deferred revenue	45,854	51,463	88,217
	<u>307,065</u>	<u>93,352</u>	<u>139,471</u>
Fund balances:			
General	1,149,564	887,109	460,176
Designated (note 8)	23,476,061	18,601,609	14,865,142
	<u>24,625,625</u>	<u>19,488,718</u>	<u>15,325,318</u>
Commitments (note 9)			
	<u>\$ 24,932,690</u>	<u>\$ 19,582,070</u>	<u>\$ 15,464,789</u>

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Statement of Operations

Years ended July 31, 2013 and 2012

	General	Designated	2013 Total	2012 Total
Revenue:				
Fundraising	\$ 2,601,521	\$ 3,212,374	\$ 5,813,895	\$ 5,231,032
Donations	519,134	50,065	569,199	368,136
Investment income	27,285	555,746	583,031	506,474
	3,147,940	3,818,185	6,966,125	6,105,642
Expenses:				
Fundraising (note 7)	341,068	373,642	714,710	648,697
Salaries and employee benefits	237,095	-	237,095	246,600
Administration	229,884	-	229,884	211,695
Professional fees	16,662	-	16,662	11,752
Amortization	4,133	-	4,133	4,146
	828,842	373,642	1,202,484	1,122,890
Charitable disbursements	403,500	223,234	626,734	819,352
Excess of revenue over expenses	\$ 1,915,598	\$ 3,221,309	\$ 5,136,907	\$ 4,163,400

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Statement of Fund Balances

Years ended July 31, 2013 and 2012

	General	Designated	2013	2012
Fund balances, beginning of year	\$ 887,109	\$ 18,601,609	\$ 19,488,718	\$ 15,325,318
Excess of revenue over expenses year	1,915,598	3,221,309	5,136,907	4,163,400
Interfund transfers	(1,653,143)	1,653,143	-	-
Fund balances, end of year	\$ 1,149,564	\$ 23,476,061	\$ 24,625,625	\$ 19,488,718

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Statement of Cash Flows

Years ended July 31, 2013 and 2012

	2013	2012
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 5,136,907	\$ 4,163,400
Items not involving cash:		
Amortization	4,133	4,146
Change in non-cash operating working capital:		
Accounts receivable	(1,647)	175,394
Prepaid expenses	(1,899)	(1,430)
Accounts payable and accrued liabilities	219,322	(9,365)
Deferred revenue	(5,609)	(36,754)
	<u>5,351,207</u>	<u>4,295,391</u>
Investing:		
Purchase of investments	(15,185,571)	(3,386,486)
Proceeds on disposal of investments	8,839,117	-
Purchase of equipment	(4,081)	(5,199)
	<u>(6,350,535)</u>	<u>(3,391,685)</u>
Increase (decrease) in cash	(999,328)	903,706
Cash, beginning of year	2,626,656	1,722,950
Cash, end of year	<u>\$ 1,627,328</u>	<u>\$ 2,626,656</u>

See accompanying notes to financial statements.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements

Years ended July 31, 2013 and 2012

1. Nature of Operations:

The Children's Hospital Foundation of Saskatchewan Inc. (the "Foundation") was incorporated on May 23, 1992 under the Saskatchewan Non-Profit Corporations Act. The name was amended to Children's Hospital Foundation of Saskatchewan Inc. on June 30, 2009. The Foundation is a registered charity under the Income Tax Act.

The Foundation's purpose is to raise funds for the enhancement of children's healthcare and the Children's Hospital of Saskatchewan. The Foundation is a proud member of the Children's Miracle Network, serving children's hospitals across Canada, partnering with their National Sponsors to raise funds for the new Children's Hospital of Saskatchewan.

In the event of liquidation, all remaining assets are to be distributed to a registered charity having similar objectives.

On August 1, 2011, the Foundation adopted Canadian Accounting standards for Not-For-Profit Standards in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Foundation has adopted the changes retrospectively, subject to certain exceptions allowed under the standards. The transition date is August 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards. There were no adjustments arising on transition.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. The significant accounting policies used in the preparation of these financial statements are summarized below.

(a) Basis of presentation:

The Foundation maintains its accounts in accordance with the principles of fund accounting. Resources are classified for accounting and reporting purposes into either the designated fund or general fund according to the activity or objective specified.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

2. Significant accounting policies (continued):

General fund:

The general fund accounts for the Foundation's operating activities. Resources of the general fund are to be used to support the current needs for enhancement of children's healthcare in Saskatchewan.

Designated fund:

The Foundation includes in the designated fund, donations and contributions specifically designated for the Children's Hospital of Saskatchewan, health care projects, and other pediatric related grants.

(b) Cash:

Cash consists of balances with financial institutions which have an initial term to maturity of three months or less.

(c) Financial instruments:

Financial instruments are initially recognised at fair value and their subsequent measurement is dependent on their classification below.

The Foundation has elected to measure investments at fair value. Investment management fees are expensed as incurred.

Accounts receivable and accounts payable and accrued liabilities are recorded at amortized cost. The fair value of such financial instruments approximate their carrying value due to the short-term period to maturity of the instruments.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

2. Significant accounting policies (continued):

(d) Capital assets:

Capital assets are recorded at acquisition cost less accumulated amortization. The assets are amortized on a diminishing-balance basis at the following rates:

Office furniture and equipment	20%
Computer equipment	30 - 45%

Donated capital assets are recorded at their fair value at the date of contribution if fair value can be reasonably determined.

(e) Donated materials and services:

Volunteers contribute a substantial number of hours each year to assist the organization in carrying out its activities. Because of the difficulty in determining their fair value, contributed materials and services are not recognized in these financial statements except for capital assets as described in note 2 (d).

(f) Revenue:

Unrestricted contributions are recognized as revenue in the general fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recorded as deferred revenue and recognized as revenue of the general fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund in the year.

(g) Allocation of expenses:

Salary costs considered to be primarily related to fundraising activities are allocated to fundraising expenses.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

2. Significant accounting policies (continued):

(h) 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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Tax status:

The Foundation has been granted tax-exempt status as a registered charity under paragraph 149(1)(f) of the *Income Tax Act*. In order to maintain registered status, a public foundation must fulfill certain annual expenditure requirements.

Since 2004, the Foundation has received permission from Canada Revenue Agency to accumulate funds from August 1, 2004 to July 31, 2012 for the purpose of constructing the Children's Hospital of Saskatchewan. In March 2012, an extension was granted by Canada Revenue Agency to accumulate funds to July 31, 2017.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

4. Capital assets:

July 31, 2013	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 6,894	\$ 2,485	\$ 4,409
Computer equipment	12,623	7,265	5,358
Computer software	785	785	-
	\$ 20,302	\$ 10,535	\$ 9,767

July 31, 2012	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 5,782	\$ 1,523	\$ 4,259
Computer equipment	9,654	4,094	5,560
Computer software	785	785	-
	\$ 16,221	\$ 6,402	\$ 9,819

August 1, 2011	Cost	Accumulated amortization	Net book value
Office furniture and equipment	\$ 18,650	\$ 14,217	\$ 4,433
Computer equipment	33,325	28,992	4,333
Computer software	21,025	21,025	-
	\$ 73,000	\$ 64,234	\$ 8,766

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

5. Investments:

July 31, 2013	Interest rate	Maturity	Total
BNS GIC (cost - \$6,400,000)	2.30 %	May 24, 2016	\$ 6,427,888
Manulife Securities GIC (cost - \$5,200,000)	2.40 %	August 24, 2015	5,315,962
BNS GIC (cost - \$3,000,000)	3.04 %	January 30, 2015	3,138,427
BNS GIC (cost - \$3,000,000)	2.40 %	November 29, 2013	3,120,000
BNS GIC (cost- \$3,000,000)	2.40 %	January 25, 2016	3,037,317
BNS GIC (cost - \$2,000,000)	3.34 %	February 24, 2014	2,166,804
CIBC Wood Gundy	1.25 %		42,695
Life Insurance Cash Surrender Value			18,121
Total			\$ 23,267,214

July 31, 2012	Interest rate	Maturity	Total
BNS GIC (cost - \$5,000,000)	3.20 %	May 20, 2013	\$ 5,357,995
Great West Life GIC (cost - \$3,000,000)	3.75 %	August 7, 2012	3,347,789
BNS GIC (cost - \$2,000,000)	3.34 %	February 24, 2014	2,097,018
BNS GIC (cost- \$3,000,000)	2.40 %	November 29, 2013	3,048,000
BNS GIC (cost - \$3,000,000)	3.04 %	January 30, 2015	3,045,926
CIBC Money Market Fund			10,001
Life Insurance Cash Surrender Value			14,031
Total			\$ 16,920,760

August 1, 2011	Interest rate	Maturity	Total
BNS GIC (cost - \$5,000,000)	3.20 %	May 20, 2013	\$ 5,192,310
Great West Life GIC (cost - \$3,000,000)	3.75 %	August 7, 2012	3,227,300
BNS GIC (cost - \$2,000,000)	3.34 %	February 24, 2014	2,028,916
BNS GIC (cost- \$3,000,000)	2.40 %	November 29, 2013	3,048,000
CIBC Money Market Fund			25,765
Life Insurance Cash Surrender Value			11,983
Total			\$ 13,534,274

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

6. Financial instruments and risk management:

The Foundation is exposed to interest rate risk arising from fluctuation in interest rates on amounts invested in interest bearing accounts and investments. Cash, when received, is deposited into an interest bearing account with interest earned based on prime rates on the balance in the account.

The Foundation is exposed to market risk on its investments. Investments consist primarily of Guaranteed Investment Certificates which are subject to fluctuations in market value.

The Foundation is also exposed to credit risk on its investments. Credit risk related to investments is minimized by dealing with institutions that have strong credit ratings and by investing in a diversified pool of funds.

Due to the low risk nature of the Foundation's investments, it is management's opinion that the organization is not exposed to significant interest, market or credit risk arising from these financial instruments.

7. Allocation of expenses:

General support expenses of \$353,224 (2012 - \$266,918) have been allocated to fundraising expenses as follows:

	2013	2012
Direct expenses	\$ 361,486	\$ 381,779
Allocated salaries and employee benefits expenses	353,224	266,918
	\$ 714,710	\$ 648,697

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

8. Designated funds:

	July 31, 2012	Net Revenue	Program Payments	Interfund Transfers	July 31, 2013
Pediatric Health Care Projects	\$ 268,609	\$ 50,065	\$ (223,234)	\$ -	\$ 95,440
Pediatric Research Chair	-	100,000	-	-	100,000
Children's Hospital of Saskatchewan	18,333,000	3,294,478	-	1,653,143	23,280,621
	\$ 18,601,609	\$ 3,444,543	\$ (223,234)	\$ 1,653,143	\$ 23,476,061

	July 31, 2011	Net Revenue	Program Payments	Interfund Transfers	July 31, 2012
Pediatric Health Care Projects	\$ 462,142	\$ 24,885	\$ (218,418)	\$ -	\$ 268,609
Grants	358,000	-	-	(358,000)	-
Children's Hospital of Saskatchewan	14,045,000	3,147,822	-	1,140,178	18,333,000
	\$ 14,865,142	\$ 3,172,707	\$ (218,418)	\$ 782,178	\$ 18,601,609

9. Commitments:

Estimated future minimum lease payments under operating leases for the rental of office space for the next three years are as follows:

2014	\$ 63,224
2015	67,364
2016	67,740
2017	67,740
2018	5,645

The office lease is effective for the period from September 1, 2012 to August 31, 2014. Minimum future lease payments for office space consist of base rental charges. Occupancy costs and applicable taxes currently estimated at \$22,000 per annum will be in addition to the base rental charges indicated above.

The Foundation has secured designated donation funding to pay for the base rental charges.

CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Years ended July 31, 2013 and 2012

10. Comparative figures:

Certain balances for 2012 have been reclassified to conform with the financial statement presentation adopted in the current year.