

Financial Statements of

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

Year ended July 31, 2015



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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, 2015, the statements of operations, fund balances, 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 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 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, 2015.



*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, 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.

*KPMG LLP*

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Chartered Professional Accountants

Saskatoon, Canada

November 19, 2015

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Statements of Financial Position

July 31, 2015, with comparative information for 2014

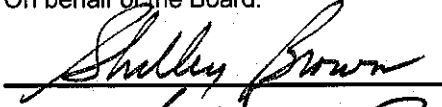
	2015	2014
<b>Assets</b>		
Current assets:		
Cash	\$ 554,827	\$ 2,726,123
Accounts receivable	14,165	82,331
Prepaid expenses	20,456	12,119
	<u>589,448</u>	<u>2,820,573</u>
Capital assets (note 4)	9,459	7,032
Investments (note 5)	50,810,561	29,326,039
	<u>\$ 51,409,468</u>	<u>\$ 32,153,644</u>

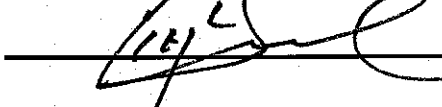
## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 272,363	\$ 506,564
Deferred revenue	453,555	103,344
	<u>725,918</u>	<u>609,908</u>
Fund balances:		
General	772,878	796,188
Designated (note 7)	49,910,672	30,747,548
	<u>50,683,550</u>	<u>31,543,736</u>
Commitments (note 10)		
Subsequent event (note 11)		
	<u>\$ 51,409,468</u>	<u>\$ 32,153,644</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

## Statement of Operations

Year ended July 31, 2015, with comparative information for 2014

	General	Designated	2015 Total	2014 Total
<b>Revenue:</b>				
Fundraising	\$ 3,614,503	\$ 16,163,396	\$ 19,777,899	\$ 7,819,945
Donations	686,219	177,853	864,072	815,788
Investment income	115,646	976,161	1,091,807	693,928
	4,416,368	17,317,410	21,733,778	9,329,661
<b>Expenses:</b>				
Fundraising (note 8)	340,157	632,410	972,567	950,754
Salaries and employee benefits	300,027	-	300,027	271,587
Administration	243,927	-	243,927	253,163
Professional fees	15,525	-	15,525	18,579
Amortization	3,650	-	3,650	3,455
	903,286	632,410	1,535,696	1,497,538
Charitable disbursements	1,058,268	-	1,058,268	914,012
<b>Excess of revenue over expenses</b>	<b>\$ 2,454,814</b>	<b>\$ 16,685,000</b>	<b>\$ 19,139,814</b>	<b>\$ 6,918,111</b>

See accompanying notes to financial statements.

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

## Statement of Fund Balances

Year ended July 31, 2015, with comparative information for 2014

	General	Designated	2015	2014
Fund balances, beginning of year	\$ 796,188	\$ 30,747,548	\$ 31,543,736	\$ 24,625,625
Excess of revenue over expenses	2,454,814	16,685,000	19,139,814	6,918,111
Interfund transfers	(2,478,124)	2,478,124	-	-
<b>Fund balances, end of year</b>	<b>\$ 772,878</b>	<b>\$ 49,910,672</b>	<b>\$ 50,683,550</b>	<b>\$ 31,543,736</b>

See accompanying notes to financial statements.

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

## Statement of Cash Flows

Year ended July 31, 2015, with comparative information for 2014

	2015	2014
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 19,139,814	\$ 6,918,111
Item not involving cash:		
Amortization	3,650	3,455
Change in non-cash operating working capital:		
Accounts receivable	68,166	(71,064)
Prepaid expenses	(8,337)	4,995
Accounts payable and accrued liabilities	(234,201)	245,353
Deferred revenue	350,211	57,490
	<u>19,319,303</u>	<u>7,158,340</u>
Investing:		
Purchase of investments	(24,766,789)	(11,443,124)
Proceeds on disposal of investments	3,282,267	5,384,299
Purchase of equipment	(6,077)	(720)
	<u>(21,490,599)</u>	<u>(6,059,545)</u>
Increase (decrease) in cash	(2,171,296)	1,098,795
Cash, beginning of year	2,726,123	1,627,328
Cash, end of year	<u>\$ 554,827</u>	<u>\$ 2,726,123</u>

See accompanying notes to financial statements.

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements

Year ended July 31, 2015

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## 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.

## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. 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.

#### *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.



# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Year ended July 31, 2015

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## 2. Significant accounting policies (continued):

(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 recognized 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.

(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:

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

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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).

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Year ended July 31, 2015

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## 2. Significant accounting policies (continued):

### (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.

### (h) Use of estimates:

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 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. In May 2015, the Foundation requested an extension from Canada Revenue Agency to accumulate funds in the amount of \$70 million to July 31, 2019.

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Year ended July 31, 2015

## 4. Capital assets:

				2015	2014
	Cost	Accumulated amortization	Net book value	Net book value	
Office furniture and equipment	\$ 6,894	\$ 4,073	\$ 2,821	\$ 3,526	
Computer equipment	19,421	12,783	6,638	3,506	
	\$ 26,315	\$ 16,856	\$ 9,459	\$ 7,032	

## 5. Investments:

	Interest rate	Maturity	2015	2014
Manulife GIC (cost - \$5,200,000)	2.40 %	08/24/2015	\$ 5,574,853	\$ 5,443,991
BNS GIC (cost - \$3,000,000)	2.40 %	01/25/2016	3,184,559	3,110,065
Affinity Credit Union (cost - \$5,200,000)	1.94 %	02/02/2016	5,250,440	-
BNS GIC (cost - \$6,400,000)	2.30 %	05/24/2016	6,726,386	6,575,440
Affinity Credit Union (cost - \$6,300,000)	2.70 %	12/03/2016	6,585,438	6,412,274
BNS GIC (cost - \$4,500,000)	2.60 %	02/25/2017	4,668,443	4,550,139
BNS GIC (cost - \$2,500,000)	1.83 %	07/23/2017	2,500,000	-
Affinity Credit Union (cost - \$4,500,000)	2.70 %	09/08/2017	4,611,375	-
Affinity Credit Union (cost - \$6,500,000)	2.72 %	11/25/2017	6,617,867	-
Affinity Credit Union (cost - \$5,000,000)	2.72 %	11/25/2017	5,090,667	-
Life Insurance Cash Surrender Value			533	533
BNS GIC (cost - \$3,000,000)	3.04 %	01/30/2015	-	3,233,597
<b>Total</b>			<b>\$ 50,810,561</b>	<b>\$ 29,326,039</b>

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Year ended July 31, 2015

## 6. Accounts payable and accrued liabilities:

	2015	2014
Grants payable	\$ 153,953	\$ 257,806
Trade payables	118,410	248,758
	<b>\$ 272,363</b>	<b>\$ 506,564</b>

## 7. Designated funds:

	Beginning of year	Net Revenue	Program Payments	Interfund Transfers	End of year
Pediatric Health Care Projects	\$ 137,701	\$ 176,338	\$ (135,421)	-	\$ 178,618
Pediatric Research Chair	200,000	100,000	-	-	300,000
Children's Hospital of Saskatchewan	30,409,847	11,544,083	-	2,478,124	44,432,054
Research	-	5,000,000	-	-	5,000,000
	<b>\$ 30,747,548</b>	<b>\$ 16,820,421</b>	<b>\$ (135,421)</b>	<b>\$ 2,478,124</b>	<b>\$ 49,910,672</b>

## 8. Allocation of expenses:

	2015	2014
Direct expenses	\$ 505,434	\$ 528,508
Allocated salaries and employee benefits expenses	467,133	422,246
	<b>\$ 972,567</b>	<b>\$ 950,754</b>

# CHILDREN'S HOSPITAL FOUNDATION OF SASKATCHEWAN INC.

Notes to Financial Statements (continued)

Year ended July 31, 2015

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## 9. 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 Foundation is not exposed to significant interest, market or credit risk arising from these financial instruments.

## 10. Commitments:

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

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2016	\$	67,740
2017		67,740
2018		5,645

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The Foundation renewed the terms of its initial office lease agreement, extending the lease period from September 1, 2014 to August 31, 2017. 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.

Office lease payments are paid to a Company related to a Director of the Foundation. These transactions are measured at the exchange amount and are in the normal course of business.

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)

Year ended July 31, 2015

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**11. Subsequent event:**

On September 9, 2015, the Foundation signed an agreement with the Saskatoon Regional Health Authority to use commercially reasonable efforts to raise an additional \$25 million for the Children's Hospital of Saskatchewan.

**12. Comparative figures:**

Certain comparative figures have been reclassified to confirm with the financial statement presentation adopted in current year.