

SASKATCHEWAN HEALTH RESEARCH FOUNDATION

FINANCIAL STATEMENTS

For the year ended March 31, 2015



INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Saskatchewan Health Research Foundation, which comprise the statement of financial position as at March 31, 2015, and the statement of operations, statement of change in net financial assets, and statement of 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 public sector accounting standards for Treasury Board's approval, 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditor's 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 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Saskatchewan Health Research Foundation as at March 31, 2015, and the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting.

Regina, Saskatchewan
June 29, 2015

Judy Ferguson, FCPA, FCA
Provincial Auditor

Statement 1

**SASKATCHEWAN HEALTH RESEARCH FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>2015</u>	<u>2014</u>
Financial assets		
Cash and cash equivalents (Schedule 2)	\$ 108,070	\$ 524,849
Accrued interest receivable	51,032	56,804
Accounts receivable	243,372	150,863
Short-term investments (Schedule 2)	3,250,000	2,700,000
Long-term investments (Schedule 2)	2,453,443	2,756,752
	<u>6,105,917</u>	<u>6,189,268</u>
Liabilities		
Accounts payable and accrued liabilities	40,813	387,695
Payroll liabilities	19,415	11,297
Grants payable	5,613,971	5,428,259
	<u>5,674,199</u>	<u>5,827,251</u>
Net financial assets	431,718	362,017
Non-financial assets		
Tangible capital assets (Note 3)	61,494	76,100
Prepaid expenses	12,824	21,329
	<u>74,318</u>	<u>97,429</u>
Accumulated surplus	<u>\$ 506,036</u>	<u>\$ 459,446</u>

Commitments (Schedule 3, Notes 2(e), and 5)

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN HEALTH RESEARCH FOUNDATION
STATEMENT OF OPERATIONS
For the year Ended March 31

	2015		2014
	Budget	Actual	Actual
	(Note 10)		
Revenues			
Government Contributions			
Ministry of Health	\$ 5,830,000	\$ 5,830,004	\$ 5,783,999
Ministry of Advanced Education	400,000	400,000	400,000
Health Quality Council	60,000	60,000	60,000
Non-Government Contributions			
Alzheimer's Society of Saskatchewan	100,000	100,000	100,000
Canadian Chiropractic Research Foundation	-	-	47,694
Chron's & Colitis Canada	50,000	25,000	-
Heart and Stroke Foundation of Canada	100,000	100,000	100,000
Saskatoon City Hospital Foundation	100,000	-	-
Schizophrenia Society of Saskatchewan	-	20,000	20,000
Terry Fox Research Institute	-	50,000	25,000
Other Contributions (Note 13)	180,000	60,000	-
Donations and Sponsorships	25,000	14,696	9,905
Other Revenue (Note 7)	136,690	223,138	245,333
Total Revenues	6,981,690	6,882,838	6,791,931
Expenses			
Research funding			
Saskatchewan Health Research Foundation led programs	4,990,624	4,803,099	4,513,360
Partner led programs (Note 6a)	640,000	625,000	1,116,455
Program support	217,635	192,350	220,423
Communication & Outreach	360,443	321,321	247,375
Impact & Evaluation	142,842	44,430	140,571
Leadership and management			
Board	48,148	25,057	34,980
Administrative	914,913	824,991	1,146,242
Total Expenses (Schedule 1)	7,314,605	6,836,248	7,419,406
Annual (deficit) surplus	\$ (332,915)	46,590	(627,475)
Accumulated surplus, beginning of year		459,446	1,086,921
Accumulated surplus, end of year		\$ 506,036	\$ 459,446

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN HEALTH RESEARCH FOUNDATION
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2015	2014
Annual surplus (deficit)	\$ 46,590	\$ (627,475)
Acquisition of tangible capital assets	(28,805)	(83,576)
Amortization of tangible capital assets	43,411	37,271
	<u>14,606</u>	<u>(46,305)</u>
Acquisition of prepaid expense	(39,828)	(84,984)
Use of prepaid expense	48,333	79,268
	<u>8,505</u>	<u>(5,716)</u>
Increase (Decrease) in net financial assets	<u>69,701</u>	<u>(679,496)</u>
Net financial assets, beginning of year	362,017	1,041,513
Net financial assets, end of year	<u><u>\$ 431,718</u></u>	<u><u>\$ 362,017</u></u>

(See accompanying notes to the financial statements)

Statement 4

**SASKATCHEWAN HEALTH RESEARCH FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended March 31**

	2015	2014
	<hr/>	<hr/>
Operating transactions		
Annual surplus (deficit)	\$ 46,590	\$ (627,475)
Non-cash items included in annual surplus:		
Amortization of tangible capital assets	43,411	37,271
Bond amortization	3,309	3,309
Net change in non-cash working capital items:		
Accrued interest receivable	5,772	10,912
Accounts receivable	(92,509)	50,074
Prepaid expenses	8,505	(5,716)
Accounts payable and accrued liabilities	(346,882)	351,954
Payroll liabilities	8,118	(4,989)
Grants payable	185,712	580,397
	<hr/>	<hr/>
Cash (used)/provided by operating transactions	(137,974)	395,737
	<hr/>	<hr/>
Capital transactions		
Cash used to acquire tangible capital assets	(28,805)	(83,576)
	<hr/>	<hr/>
Cash applied to capital transactions	(28,805)	(83,576)
	<hr/>	<hr/>
Investing transactions		
Purchase of investments	(2,950,000)	(2,850,000)
Proceeds from disposal and redemption of investments	2,700,000	2,966,000
	<hr/>	<hr/>
Cash (used)/provided by investing transactions	(250,000)	116,000
	<hr/>	<hr/>
(Decrease) increase in cash and cash equivalents	(416,779)	428,161
	<hr/>	<hr/>
Cash and cash equivalents, beginning of year	524,849	96,688
	<hr/>	<hr/>
Cash and cash equivalents, end of year	\$ 108,070	\$ 524,849
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(See accompanying notes to the financial statements)

**SASKATCHEWAN HEALTH RESEARCH FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2015**

1. Establishment of the Foundation

On January 31, 2003, *The Saskatchewan Health Research Foundation Act* (S.S. 2002, c.S-21.1) came into force establishing the Saskatchewan Health Research Foundation (Foundation). The Foundation is responsible for organizing, managing and allocating most provincial health research funding in Saskatchewan and for ensuring that supported research fits with the Province's health research priorities and leads to benefits for health and the health system in Saskatchewan.

2. Accounting Policies

Pursuant to standards established by the Public Sector Accounting Board (PSAB), the Foundation is classified as an "other government organization." The Foundation uses generally accepted accounting principles applicable to government. The following accounting principles are considered to be significant.

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting.

b) Revenue

The Foundation's main revenue for operations has been contributions from the Ministry of Health – General Revenue Fund with other revenue coming from partnerships, interest, recoveries and miscellaneous revenue.

Contributions from the Ministry of Advanced Education are used for federal partnership opportunities with Canadian Institutes of Health Research (CIHR) (see note 6).

Funds not spent during the term of a research grant or award compose recoveries if the grant or award expense was recognized in the prior years.

Government contributions are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that contribution stipulations give rise to an obligation that meets the definition of a liability. Contributions are recognized as deferred revenue when contribution stipulations give rise to a liability. Contributions are recognized in the statement of operations as the stipulation liabilities are settled.

c) Measurement uncertainty

The preparation of financial statements in accordance with Public Sector Accounting Board (PSAB) accounting principles requires the Foundation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of commitments at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

d) Tangible capital assets

The recognition and measurement of tangible capital assets is based on their service potential. Purchases of furniture and office equipment over \$250 and computer hardware and software over \$500 are recorded at cost as a capital asset. Purchases below these amounts are expensed as incurred. Amortization is recorded on a straight-line basis as follows:

Furniture	10 years
Office Equipment	5 years
Computer Hardware and Software	3 years
Leasehold Improvements	length of lease

Normal maintenance and repairs are expensed as incurred.

e) **Research grants and awards expense**

Grants and awards expense is recorded when eligibility has been determined and the grant and or award has been authorized. Awarded funds are sent to the recipients' home institution to manage and disburse. Funds not spent during the term of a research grant or award reduce the respective expense if the expense was recognized in the same year.

Internally administered awards:

The Foundation holds annual funding competitions through which applications are adjudicated by experts based on excellence and relevance. Terms vary and are often multi-year. For internally administered multi-year grants and awards, the Foundation assesses eligibility and provides authorization on a yearly basis (see Schedule 3, Schedule of Future Research Funding Commitments).

Externally administered awards:

For some partnership programs, the Foundation's partner administers the grants and awards. For example, CIHR currently administers PHSI grants and awards. For externally administered multi-year grants and awards where full grants and awards are authorized at the commencement, the Foundation records the full amount of the expense in the year that authorization for funding is received from CIHR.

f) **Investments**

Investments are valued at amortized cost.

3. **Tangible Capital Assets**

	Furniture and Equipment	Leasehold Improvements	2015 Totals	2014 Totals
Opening cost	\$215,289	\$48,848	\$264,137	\$180,561
Additions during the year	28,805	-	28,805	83,576
Disposals during the year	16,256	-	16,256	-
Closing cost	227,838	48,848	276,686	264,137
Opening accumulated amortization	139,189	48,848	188,037	150,766
Amortization for the year	43,411	-	43,411	37,271
Disposals during the year	16,256	-	16,256	-
Closing accumulated amortization	166,344	48,848	215,192	188,037
Net book value of tangible capital assets	\$61,494	-	\$61,494	\$76,100

4. **Designated Assets**

The Foundation is holding \$125,588 as designated assets to be disbursed in future years; \$72,000 for the Quality Improvement Chair and \$53,588 for the Spinal Cord Chair.

5. **Lease Commitments**

At March 31, 2015, the Foundation had the following lease commitments:

	2016	2017	2018	2019
Office Lease*	\$ 169,377	\$ 178,063	\$ 89,032	\$ -
Postage meter lease	1,986	1,986	1,986	1,159
	<u>\$ 171,363</u>	<u>\$ 180,049</u>	<u>\$ 91,018</u>	<u>\$ 1,159</u>

*The office lease was renewed for 5 years during 2012-13.

6. **a) Partner-led Programs**

The Foundation periodically enters into funding partnerships, often spanning more than one year, to help achieve its goals and objectives. In 2014-15 the Foundation provided research funding through the following partnerships:

i) Canadian Consortium on Neurodegeneration in Aging (CCNA)

In a 5 year partnership with CCNA that started in 2014-15, the Foundation matched funding of \$100,000 from the CIHR on a 1:1 basis to support Saskatchewan researchers and research projects in the area of Aging.

ii) CIHR Partnership for Population Health Intervention Research

The foundation partnered with CIHR on the population health intervention research and invested \$200,000 in 2014-15 in this area.

iii) Strategy for Patient Oriented Research (SPOR) Primary Health Care Network – Phase 2

In a 5 year partnership with CIHR primary health care network, the Foundation invested \$250,000 to support the phase 2 grants.

iv) Dr. Terrance Snutch (Brain Canada – Multi-Investigator Research Grant)

The foundation supported the Brain Canada's Multi-Investigator Research Grants with \$75,000 in a partnership with Dr. Terrance Snutch at the University of British Columbia.

b) Saskatchewan Research Chairs

Since 2009-10, the Foundation has been funding a five-year Saskatchewan Research Chair in Alzheimer Disease and Related Dementia, in 1:1 funding partnership with the Alzheimer Society of Saskatchewan. The Foundation receives the partner's contribution on a quarterly basis, expenses the chair awards on an annual basis, and sends the partner and Foundation funds together to the award holder's home institution. A new five-year Saskatchewan Research Chair for Clinical Stroke Research was awarded in 2012-13 in equal partnership with Heart and Stroke Foundation. The Foundation has another research chair partnership where the award has not yet been made. Partner funds flow to the Foundation when there is a successful candidate in place.

c) Other Partnered Grants and Awards

During 2014-15, Terry Fox Institute and Crohn's and Colitis Canada contributed \$50,000 and \$25,000 respectively to partner on the Post-Doctoral Fellowship awards with the Foundation.

7. **Other Revenue**

In 2014-15, other revenue generated by the Foundation included interest of \$103,185 and recoveries of \$119,853.

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies, boards and commissions related to the Foundation by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are recorded at the agreed upon rates charged by those organizations and are settled on normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2015	2014
Miscellaneous revenue:		
Health Quality Council	\$ 62,500	\$ 60,000
University of Regina	2,500	-
University of Saskatchewan	124,853	130,975
Research grant, administrative and occupancy expenses:		
Capital Pension Plan - employee benefits	47,574	51,206
Regina Qu'Appelle Health Region	6,500	-
Saskatchewan Opportunities Corporation – Innovation Place	184,191	174,707
SaskTel	7,985	9,111
University of Regina	1,144,596	1,232,186
University of Saskatchewan	4,220,171	4,409,095
Other	4,543	2,737
Accounts receivable	8,577	1,674
Accounts payable and accrued liabilities	939	20,440
Grants payable	5,613,971	5,428,259

The Foundation pays Provincial Sales Tax to the Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in these financial statements and the notes thereto.

9. Financial Instruments

The Foundation has the following financial instruments: accrued interest receivable, accounts receivable, investments, accounts payable, and grants payable. The following paragraphs disclose the significant aspects of these financial instruments. The Foundation has policies and procedures in place to mitigate the associated risks.

a) Significant terms and conditions

There are no significant terms and conditions associated with the financial instruments, other than investments, that may affect the amount, timing, and certainty of future cash flows. Significant terms and conditions for investments are described separately on Schedule 2 of these financial statements.

b) Interest rate risk

The Foundation is exposed to interest rate risk when the value of its financial instruments fluctuates due to changes in market interest rates. As the Foundation seldom disposes of investments prior to maturity, this risk is minimal.

The Foundation's receivables and payables are non-interest bearing. Due to the short-term nature of these, as well as cash and short-term investments, interest rate risk is minimal. As market interest rates fluctuate the market value of long-term investments moves in the opposite direction. This risk will affect the price the Foundation could sell the investments for prior to maturity.

c) Credit risk

The Foundation is exposed to credit risk from potential non-payment of accounts receivable or investment income and principal.

Most of the Foundation's receivables are from the provincial government; therefore the credit risk is minimal.

The Foundation's investments consist of provincial and federal government bonds, promissory notes, treasury bills and bankers acceptances with large Canadian banks. Therefore, credit risk for investments and related accrued interest receivable is minimal.

d) Fair value

For the following financial instruments, the carrying amounts approximate fair value due to their immediate or short-term nature:

- Accrued interest receivable
- Accounts receivable
- Short-term investments
- Accounts payable
- Grants payable

The fair value of long-term investments is \$2,457,418. The quoted market values of the long-term investments are considered to be the fair values.

10. Budget

The operating budget was approved by the Foundation's Board on April 10, 2014.

11. Pension Plan

The Foundation has been a participating employer in the Capital Pension Plan, a defined contribution pension plan. Eligible employees make monthly contributions of 7% of gross salary with the Foundation contributing 7.5% of gross salary. The Foundation's financial obligation is limited to making required contributions. During the year, the Foundation's total contributions were \$47,574 (2013-14 \$51,206).

12. Comparative Information

Certain prior year amounts have been reclassified to conform with the current year's presentation.

13. Other Contributions

Other Contributions represent the potential new partnerships the Foundation explores from the non-government sources. During 2014-15, the Foundation partnered 1:1 with the Lung Association of Saskatchewan on 3 Collaborative Innovation Development grants totaling \$120,000.

Schedule 1

SASKATCHEWAN HEALTH RESEARCH FOUNDATION
SCHEDULE OF EXPENSES BY OBJECT
For the Year Ended March 31

	2015		2014
	Budget	Actual	Actual
(Note 10)			
Advertising and promotion	\$ 46,500	\$ 45,572	\$ 21,619
Amortization	47,146	43,411	37,271
Board expenses	48,148	25,058	34,980
Employee benefits	143,775	136,035	140,064
Employee salaries	679,271	637,375	982,245
Grants and awards	5,630,624	5,428,099	5,629,815
Office expenses	95,317	77,932	63,061
Office space	152,895	165,661	160,897
Professional Fees	281,768	165,428	243,612
Publications	55,000	50,432	29,557
Review committee expenses	33,050	19,590	19,467
Travel and meetings	101,111	41,655	56,818
	<u>\$ 7,314,605</u>	<u>\$ 6,836,248</u>	<u>\$ 7,419,406</u>

(See accompanying notes to the financial statements)

SASKATCHEWAN HEALTH RESEARCH FOUNDATION
SCHEDULE OF INVESTMENTS
As at March 31, 2015

	MATURITY DATE	CARRYING VALUE	EFFECTIVE RATE
Cash and cash equivalents:			
Cash		\$ 107,200	
TD Waterhouse - cash		870	
		<u>108,070</u>	
Short-term investments:			
Manulife Bank GIC	1-May-2015	100,000	2.35
Royal Bank GIC	1-May-2015	200,000	2.15
Equitable Trust GIC	1-May-2015	100,000	2.35
Royal Bank GIC	13-Jul-2015	350,000	1.90
Bank of Montreal GIC	31-Jul-2015	300,000	1.71
Bank of Nova Scotia GIC	9-Oct-2015	250,000	2.20
BMO Advisor Advantage GIC	17-Dec-2015	700,000	1.73
Bank of Nova Scotia GIC	25-Feb-2016	700,000	1.35
Bank of Nova Scotia GIC	18-Mar-2016	550,000	1.40
		<u>3,250,000</u>	
Long-term investments:			
Bank of Nova Scotia GIC	19-Jun-2016	900,000	2.000
Canadian Tire Bank GIC	12-Jul-2016	100,000	2.350
Royal Bank GIC	12-Jul-2016	100,000	2.100
TD Bank bond	2-Aug-2016	353,443	2.948
Bank of Nova Scotia GIC	9-Oct-2016	500,000	2.300
Bank of Nova Scotia GIC	19-Dec-2016	200,000	2.010
Bank of Nova Scotia GIC	18-Dec-2017	300,000	2.130
		<u>2,453,443</u>	
		<u>\$ 5,811,513</u>	

(See accompanying notes to the financial statements)

Schedule 3

SASKATCHEWAN HEALTH RESEARCH FOUNDATION
SCHEDULE OF FUTURE RESEARCH FUNDING COMMITMENTS
As at March 31, 2015

The Future Research Funding commitments at March 31, 2015 were as follows:
Note 2(e)

YEAR	SASKATCHEWAN HEALTH RESEARCH FOUNDATION PROGRAMS	
2016	\$	1,394,415
2017		426,000
2018		100,000
2019		100,000
	\$	<u>2,020,415</u>

(See accompanying notes to the financial statements)