

Financial Statements of

**ST. PAUL'S HOSPITAL FOUNDATION
OF VANCOUVER**

Year ended March 31, 2014



KPMG LLP
Chartered Accountants
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Members of
St. Paul's Hospital Foundation of Vancouver

Report on the Financial Statements

We have audited the accompanying financial statements of St. Paul's Hospital Foundation of Vancouver, which comprise the statement of financial position as at March 31, 2014, the statements of operations, 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 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 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 St. Paul's Hospital Foundation of Vancouver as at March 31, 2014 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.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants

June 24, 2014

Vancouver, Canada

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER


Statement of Financial Position

March 31, 2014, with comparative information for 2013


| | 2014 | 2013 |
|--|----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 2,796,827 | \$ 5,142,401 |
| Accounts receivable | 35,460 | 55,736 |
| Investments (note 3) | 51,305,433 | 36,637,017 |
| | <u>54,137,720</u> | <u>41,835,154</u> |
| Endowment investments (note 3) | 12,074,936 | 11,881,455 |
| Capital assets (note 4) | - | 29,540 |
| Other asset (note 5) | 191,136 | 191,136 |
| | <u>\$ 66,403,792</u> | <u>\$ 53,937,285</u> |
| Liabilities and Net Assets | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 141,037 | \$ 76,519 |
| Due to Providence Health Care | 501,413 | 98,161 |
| | <u>642,450</u> | <u>174,680</u> |
| Deferred revenue | 625,000 | 375,000 |
| Net assets: | | |
| Unrestricted | 2,941,174 | 2,371,174 |
| Internally restricted | 7,472,218 | 5,532,391 |
| Externally restricted | 42,648,014 | 33,573,045 |
| Restricted for endowment | 12,074,936 | 11,881,455 |
| Invested in capital assets | - | 29,540 |
| | <u>65,136,342</u> | <u>53,387,605</u> |
| | <u>\$ 66,403,792</u> | <u>\$ 53,937,285</u> |

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

| | Unrestricted and Internally Restricted | Externally Restricted | Endowment | 2014 Total | 2013 Total |
|--|--|--------------------------|-------------------|---------------------|---------------------|
| Revenue: | | | | | |
| Donations | \$ 3,021,643 | \$17,148,319 | \$ 130,800 | \$20,300,762 | \$17,923,905 |
| Investment income | 1,423,465 | 1,163,628 | 62,681 | 2,649,774 | 1,326,252 |
| Miscellaneous | 688 | - | - | 688 | 5,263 |
| | 4,445,796 | 18,311,947 | 193,481 | 22,951,224 | 19,255,420 |
| Expenses: | | | | | |
| Salaries and benefits | 2,106,670 | - | - | 2,106,670 | 1,733,266 |
| General administration | 304,797 | - | - | 304,797 | 201,216 |
| Campaigns | 256,893 | - | - | 256,893 | 199,170 |
| Professional fees | 39,373 | - | - | 39,373 | 22,851 |
| Consultants and contracts | 137,490 | - | - | 137,490 | 187,025 |
| Advertising | 52,042 | - | - | 52,042 | 44,580 |
| Amortization | 29,540 | - | - | 29,540 | 26,460 |
| Printing | 23,000 | - | - | 23,000 | 40,533 |
| Education and conferences | 32,732 | - | - | 32,732 | 24,479 |
| | 2,982,537 | - | - | 2,982,537 | 2,479,580 |
| Excess of revenue over expenses before the following | 1,463,259 | 18,311,947 | 193,481 | 19,968,687 | 16,775,840 |
| Change in fair value of investments | 2,666,754 | - | - | 2,666,754 | 1,256,799 |
| Transfers to qualified donees (note 8) | - | (1,452,186) | - | (1,452,186) | (518,086) |
| Grants to Providence Health Care | (423,526) | (9,010,992) | - | (9,434,518) | (4,984,988) |
| Excess of revenue over expenses | \$ 3,706,487 | \$ 7,848,769 | \$ 193,481 | \$11,748,737 | \$12,529,565 |

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Changes in Net Assets

Year ended March 31, 2014, with comparative information for 2013

| | Unrestricted | Internally Restricted | Externally Restricted | Endowment | Invested in capital assets | 2014 | 2013 |
|---|--------------|--------------------------|--------------------------|---------------|----------------------------------|---------------|---------------|
| Net assets, beginning of year | \$ 2,371,174 | \$ 5,532,391 | \$ 33,573,045 | \$ 11,881,455 | \$ 29,540 | \$ 53,387,605 | \$ 40,858,040 |
| Excess (deficiency) of revenue over expenses | 3,796,200 | (60,173) | 7,848,769 | 193,481 | (29,540) | 11,748,737 | 12,529,565 |
| Interfund transfers (note 9) | (3,226,200) | 2,000,000 | 1,226,200 | - | - | - | - |
| Net assets, end of year | \$ 2,941,174 | \$ 7,472,218 | \$ 42,648,014 | \$ 12,074,936 | \$ - | \$ 65,136,342 | \$ 53,387,605 |

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

| | 2014 | 2013 |
|---|---------------|---------------|
| Cash provided by (used in): | | |
| Operating: | | |
| Excess of revenue over expenses | \$ 11,748,737 | \$ 12,529,565 |
| Items not involving cash: | | |
| Amortization of capital assets | 29,540 | 26,460 |
| Realized gain on sale of investments | (8,099) | (5,352) |
| Change in fair value of investments | (2,666,754) | (1,256,799) |
| | 9,103,424 | 11,293,874 |
| Changes in non-cash working capital balances: | | |
| Accounts receivable | 20,276 | 2,579 |
| Accounts payable and accrued liabilities | 64,518 | (100,160) |
| Deferred revenue | 250,000 | 250,000 |
| Due to Providence Health Care | 403,252 | (42,693) |
| | 9,841,470 | 11,403,330 |
| Investments: | | |
| Purchases of investments | (21,258,355) | (22,351,635) |
| Proceeds from disposal of investments | 9,071,311 | 5,573,582 |
| | (12,187,044) | (16,778,053) |
| Decrease in cash | (2,345,574) | (5,374,723) |
| Cash, beginning of year | 5,142,401 | 10,517,124 |
| Cash, end of year | \$ 2,796,827 | \$ 5,142,401 |

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements

Year ended March 31, 2014

1. Operations:

St. Paul's Hospital Foundation of Vancouver (the "Foundation") is a public foundation incorporated on August 1, 1980 under the Society Act (British Columbia). The purpose of the Foundation is to raise funds for Providence Health Care to provide enhancements in clinical care, research, and teaching at St. Paul's Hospital.

The Foundation is a charitable organization registered under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CICA Handbook and include the following significant accounting policies:

(a) Revenue recognition and fund accounting:

The Foundation follows the restricted fund method of accounting for contributions.

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

Externally restricted investment income and contributions other than endowment contributions are recognized as revenue of the Externally Restricted Funds, if an appropriate restricted fund exists. Endowment contributions are recognized as revenue of the Endowment Funds. Externally restricted contributions for future expenses for which a restricted fund does not exist are recorded as deferred revenue and recognized as revenue in the period the related expense is incurred or the restrictions are met.

For financial reporting purposes, the accounts have been classified into the following funds:

(i) Unrestricted Fund and Internally Restricted Funds:

The Unrestricted Fund comprises donations and investment income that are not specifically designated by donors. Administrative costs pertaining to the Foundation are charged to the Unrestricted Fund.

From time to time, the Board of Directors may impose certain restrictions on fund balances. These amounts are presented on the statement of financial position and statement of changes in net assets as Internally Restricted Funds. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. This balance is substantially comprised of the Enhanced Patient Care Fund and the Sustainability Fund.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(a) Revenue recognition and fund accounting (continued):

(ii) Externally Restricted Funds:

The Externally Restricted Funds comprise donations and investment income specifically designated by donors and restricted income received from the Vancouver Foundation.

(iii) Endowment Funds:

The Endowment Funds comprise donations that are permanently maintained in accordance with donor wishes. Restricted investment income earned on Endowment Funds is recorded in the relevant Externally Restricted Funds for use as designated by the donors, unless the donor had indicated that part of the income is to be maintained in the Endowment Funds. Where no restriction on the investment income has been made, such investment income is recorded in the Unrestricted Fund.

(b) Capital assets:

Capital assets comprised of office equipment, computer hardware and software, office renovations, and Light-of-Hope equipment are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives of two to five years.

(c) Contributed goods and services:

The Foundation periodically receives donations of goods, including artwork, for which gift-in-kind receipts are issued. These contributed goods are not recognized in the financial statements.

Under an agreement entered into in 2001 between the Foundation and Providence Health Care, Providence Health Care agreed to pay rent on commercially leased premises near St. Paul's Hospital for the Foundation's office. Providence Health Care also provides certain administrative services at no charge.

A substantial number of volunteers contribute a significant amount of their time to the Foundation each year. Due to the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

(d) Employee future benefits:

Certain of the Foundation's employees are members of the Municipal Pension Plan, a multi-employer defined contribution plan. The Foundation accounts for contributions to this plan as expenses in the year the contributions are made (note 6).

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(e) Use of estimates:

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities in the financial statements. A significant area requiring the use of management estimates relate to the determination of useful lives of capital assets for amortization. Actual results could differ from these estimates.

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to carry all investments at fair value.

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 recorded at cost or amortized cost 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 asset. 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 asset 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.

The Foundation does not hold any financial derivatives as at March 31, 2014.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2014

3. Investments:

The Foundation's investments are held in the following classes of investments:

| | 2014 | 2013 |
|------------------------------------|----------------------|----------------------|
| Money market funds | \$ 2,968,089 | \$ 1,731,874 |
| Short-term bond and mortgage fund | 33,098,975 | 31,961,333 |
| Canadian equity | 10,394,057 | 6,972,415 |
| US equity | 7,288,472 | 5,068,821 |
| Overseas equity | 3,091,776 | 2,784,029 |
| Guaranteed investment certificates | 6,539,000 | - |
| | \$ 63,380,369 | \$ 48,518,472 |

The total investment balance is classified as follows on the statement of financial position:

| | 2014 | 2013 |
|-----------------------|----------------------|----------------------|
| Current investments | \$ 51,305,433 | \$ 36,637,017 |
| Endowment investments | 12,074,936 | 11,881,455 |
| | \$ 63,380,369 | \$ 48,518,472 |

The guaranteed investment certificates have an interest rate of 1.35% to 1.40% and mature between August and December 2014.

4. Capital assets:

| 2014 | Cost | Accumulated amortization | Net book value |
|--------------------------------|-------------------|-----------------------------|-------------------|
| Office equipment | \$ 60,368 | \$ 60,368 | \$ - |
| Computer hardware and software | 231,540 | 231,540 | - |
| Office renovations | 132,300 | 132,300 | - |
| Lights of Hope equipment | 36,578 | 36,578 | - |
| | \$ 460,786 | \$ 460,786 | \$ - |
| 2013 | Cost | Accumulated amortization | Net book value |
| Office equipment | \$ 60,368 | \$ 60,368 | \$ - |
| Computer hardware and software | 231,540 | 231,540 | - |
| Office renovations | 132,300 | 102,760 | 29,540 |
| Lights of Hope equipment | 36,578 | 36,578 | - |
| | \$ 460,786 | \$ 431,246 | \$ 29,540 |

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2014

5. Other asset:

In fiscal 2011, the Foundation recorded \$254,610 of unrestricted revenue from an estate gift that is being held in trust pending the death of another beneficiary.

The amount recorded in the financial statements at March 31, 2011 was the actuarial discounted value of the gross amount of the expected gift (\$327,384), as confirmed by the estate. In fiscal 2012, the Foundation wrote down the value of the other asset by \$63,474 based on information received during the fiscal year that the gross value of the expected gift will be \$221,579. No portion of the estate gift is expected to be collected within the next fiscal year.

6. Employee pension benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trusted pension plan. The board of trustees, representing plan members and employers is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The Plan is a multi-employer contributory pension plan. Basic pension benefits are based on a formula. The Plan has about 179,000 active members and approximately 71,000 retired members. Active members include 26 (2013 – 25) contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2012 indicated \$1.3 million funding deficit for basic pension benefits. The next valuation will be as at December 31, 2015 with results available in 2016. Employers participating in the Plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the Plan records accrued liabilities and accrued assets for the Plan in aggregate with the result that there is no consistent and reliable basis for allocating the obligation, assets, and cost to the individual employers participating in the Plan.

The Foundation paid \$145,785 (2013 - \$108,425) for employer contributions to the Plan in fiscal 2014.

7. Vancouver Foundation Fund:

A permanent Endowment Fund has been established with the Vancouver Foundation whereby the W.J. Van Dusen Foundation matched annual contributions of \$100,000 in 1985, 1986 and 1987 to the Endowment Fund by the St. Paul's Hospital Foundation of Vancouver. The total of \$600,000, plus an additional \$12,145 from the Foundation's resources, was transferred to the Vancouver Foundation during those years. The capital of the fund is held permanently by the Vancouver Foundation and accordingly is not recorded on the statement of financial position. Income from the Endowment Fund is to be distributed to St. Paul's Hospital Foundation of Vancouver at least annually and in 2014 amounted to \$30,259 (2013 - \$29,477).

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Transfers to qualified donees:

In the current year, transfers to qualified donees include transfers to the University of British Columbia and Simon Fraser University in accordance with contribution agreements.

9. Interfund transfers:

The Board has approved transfers from the unrestricted fund to externally restricted funds in the aggregate amount of \$1,226,200 to supplement external contributions for specific projects.

In fiscal 2013, the Board approved transfers from the unrestricted fund to externally restricted funds in the aggregate amount of \$455,000 to supplement external contributions for specific projects.

10. Financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to the accounts receivable. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

(c) Interest rate risk:

The Foundation is exposed to interest rate risk on its floating rate financial instruments. Fixed rate investments, including guaranteed investment certificates, subject the Foundation to a fair value risk. Further details about the fixed rate investments are included in note 3.