

Financial Statements of

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

Year ended March 31, 2017



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada
Telephone (604) 691-3000
Fax (604) 691-3031

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, 2017, 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, 2017 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 Societies 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 Professional Accountants

June 27, 2017
Vancouver, Canada

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

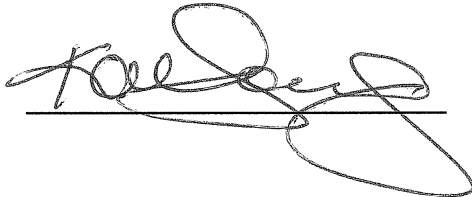
Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 5,334,252	\$ 11,926,237
Accounts receivable	34,819	56,609
Investments (note 3)	70,355,235	61,817,937
	<u>75,724,306</u>	<u>73,800,783</u>
Endowment investments (note 3)	19,152,682	13,737,317
Other asset (note 5)	202,636	202,636
	<u>\$ 95,079,624</u>	<u>\$ 87,740,736</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 285,892	\$ 165,553
Due to Providence Health Care	1,903,074	451,404
	<u>2,188,966</u>	<u>616,957</u>
Deferred revenue	696,875	817,708
Net assets:		
Unrestricted	4,876,087	1,141,956
Internally restricted	5,443,021	5,408,174
Externally restricted	62,721,993	66,018,624
Restricted for endowment	19,152,682	13,737,317
	<u>92,193,783</u>	<u>86,306,071</u>
Subsequent events (note 13)		
	<u>\$ 95,079,624</u>	<u>\$ 87,740,736</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, 2017, with comparative information for 2016

	Unrestricted and Internally Restricted	Externally Restricted	Endowment	2017 Total	2016 Total
Revenue:					
Donations	\$ 2,549,765	\$ 22,110,483	\$ 243,306	\$ 24,903,554	\$ 30,707,733
Investment income	3,041,607	901,490	137,059	4,080,156	4,629,844
Miscellaneous	3,354	-	-	3,354	-
	<u>5,594,726</u>	<u>23,011,973</u>	<u>380,365</u>	<u>28,987,064</u>	<u>35,337,577</u>
Expenses:					
Salaries and benefits	3,398,229	-	-	3,398,229	2,854,229
General administration	431,136	2,161	-	433,297	369,827
Campaigns	836,355	-	-	836,355	651,072
Professional fees	73,162	-	-	73,162	31,550
Consultants and contracts	521,814	-	-	521,814	344,499
Advertising	51,358	-	-	51,358	145,208
Printing	17,311	-	-	17,311	12,005
Education and conferences	60,015	-	-	60,015	53,707
	<u>5,389,380</u>	<u>2,161</u>	<u>-</u>	<u>5,391,541</u>	<u>4,462,097</u>
Excess of revenue over expenses before the following	205,346	23,009,812	380,365	23,595,523	30,875,480
Change in fair value of investments	5,763,482	-	-	5,763,482	(5,955,147)
Transfers to qualified donees (note 8)	-	(3,169,128)	-	(3,169,128)	(2,078,935)
Grants to Providence Health Care	(1,028,415)	(19,273,750)	-	(20,302,165)	(15,166,289)
Excess of revenue over expenses	\$ 4,940,413	\$ 566,934	\$ 380,365	\$ 5,887,712	\$ 7,675,109

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Unrestricted	Internally Restricted	Externally Restricted	Endowment	2017	2016
Net assets, beginning of year	\$ 1,141,956	\$ 5,408,174	\$66,018,624	\$13,737,317	\$ 86,306,071	\$78,630,962
Excess (deficiency) of revenue over expenses	5,254,351	(313,938)	566,934	380,365	\$ 5,887,712	7,675,109
Interfund transfers (note 9)	(1,520,220)	348,785	(3,863,565)	5,035,000	\$ -	-
Net assets, end of year	\$ 4,876,087	\$ 5,443,021	\$62,721,993	\$19,152,682	\$ 92,193,783	\$ 86,306,071

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 5,887,712	\$ 7,675,109
Items not involving cash:		
Change in value of other asset (note 5)	-	(11,500)
Realized loss (gain) on sale of investments	(285,013)	536,686
Change in fair value of investments	(5,763,482)	5,955,147
	(160,783)	14,155,442
Changes in non-cash working capital balances:		
Accounts receivable	21,790	(18,304)
Accounts payable and accrued liabilities	120,339	(88,712)
Due to Providence Health Care	1,451,670	(606,782)
Deferred revenue	(120,833)	(16,667)
	1,312,183	13,424,977
Investments:		
Purchases of investments	(20,215,276)	(22,381,557)
Proceeds from disposal of investments	12,311,108	15,639,353
	(7,904,168)	(6,742,204)
Increase (decrease) in cash	(6,591,985)	6,682,773
Cash, beginning of year	11,926,237	5,243,464
Cash, end of year	\$ 5,334,252	\$ 11,926,237

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements

Year ended March 31, 2017

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). On March 27, 2017, the Foundation transitioned to the new Societies 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 Organizations in Part III of the Chartered Professional Accountants of Canada 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, 2017

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 Lights-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. The value of rent and administrative services is not recorded in the financial statements.

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, 2017

2. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. 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. Accounts receivable, accounts payable and accrued liabilities, and due to Providence Health Care are carried at amortized cost. The Foundation has elected to carry all other investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

The Foundation does not hold any financial derivatives as at March 31, 2017.

3. Investments:

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

	2017	2016
Money market funds	\$ 2,613,942	\$ 2,749,728
Short-term bond and mortgage fund	44,909,850	37,386,828
Canadian equity	23,845,994	19,046,782
US equity	10,372,550	7,620,706
Overseas equity	7,243,212	5,163,027
Guaranteed investment certificates	522,369	3,588,183
	<u>\$ 89,507,917</u>	<u>\$ 75,555,254</u>

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

	2017	2016
Current investments	\$ 70,355,235	\$ 61,817,937
Endowment investments	19,152,682	13,737,317
	<u>\$ 89,507,917</u>	<u>\$ 75,555,254</u>

The guaranteed investment certificate has interest rate 2.35% (2016 - 1.90% to 2.35%) and matures in November 2017.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Capital assets:

2017 and 2016	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	\$ -

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 subsequent passing of another beneficiary, who currently receives all income from the asset. This asset is recorded at cost as determined by a periodic actuarial valuation, with periodic adjustments for estimated changes in the present value. In the prior year, the Foundation increased the carrying value of the asset by \$11,500. No adjustments were made in the current year.

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 future benefits:

The Foundation and its employees contribute to the Municipal Pension Plan (the "Plan"), a jointly trustee 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 189,000 active members and approximately 85,000 retired members. Active members include 39 (2016 - 34) contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2015 indicated \$2.224 billion funding surplus (2012 - 1.3 billion funding deficit) for basic pension benefits. The next valuation will be as at December 31, 2018 with results available in 2019. 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 \$255,907 (2016 - \$195,764) for employer contributions to the Plan in fiscal 2017.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2017

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 2017 amounted to \$34,775 (2016 - \$33,041).

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 the internally restricted funds in the aggregate amount of \$348,785 and to the externally restricted fund in the aggregate amount of \$1,171,435 (2016 - \$44,152) to supplement external contributions for specific projects. In the prior year, the Board approved a transfer to the unrestricted fund from the internally restricted funds in the aggregate amount of \$1,825,000 and from the unrestricted fund to the endowment fund in the aggregate of \$100,000. In the current year, an external party transferred its prior year \$5,000,000 contribution from externally restricted funds to the endowment fund.

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 is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. The Foundation's investments in any guaranteed investment certificates, income funds and equities are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The Foundation manages the risk by retaining professional investment counselors who act in accordance with the Foundation's investment policies. These policies include asset mix guidelines and minimum investment grade levels for each asset class.

Other credit risks can arise from holding receivables. The Foundation has minimal accounts receivable, and as such the credit risk is minimal.

ST. PAUL'S HOSPITAL FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2017

10. Financial instruments (continued):

(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.

11. Related party transactions:

During the year, related parties transferred donations of \$3,778,097 (2016 - \$3,627,934) to the Foundation. These amounts have been recorded in the restricted fund in the Statement of Operations in accordance with the terms of agreements with the related parties.

12. Remuneration:

For the fiscal year ending March 31, 2017, the Society paid total remuneration of \$1,503,975 to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.

13. Subsequent Events:

On April 3, 2017, the Foundation amalgamated with Tapestry Foundation for Health Care ("Tapestry"). The purpose of Tapestry was to further the improvement of patient and residential care in certain health care facilities operated by Providence Health Care Society. The new amalgamated entity will operate under the name St. Paul's Foundation of Vancouver. As a result of the merger, the total assets of the Foundation will increase by \$12,421,387 and total liabilities will increase by \$954,241.