

Financial Statements of

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

Year ended March 31, 2018



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of St. Paul's Foundation of Vancouver, which comprise the statement of financial position as at March 31, 2018, 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 Foundation of Vancouver as at March 31, 2018 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 26, 2018
Vancouver, Canada

ST. PAUL'S FOUNDATION OF VANCOUVER

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 6,945,909	\$ 5,334,252
Accounts receivable	45,286	34,819
Investments (note 4)	79,224,624	70,355,235
	86,215,819	75,724,306
Endowment investments (note 4)	22,733,540	19,152,682
Other asset (note 5)	202,636	202,636
	<u>\$ 109,151,995</u>	<u>\$ 95,079,624</u>

Liabilities and Net Assets

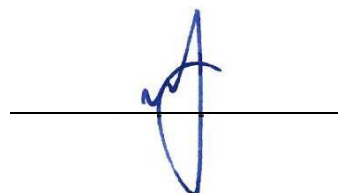
Current liabilities:		
Accounts payable and accrued liabilities	\$ 383,672	\$ 285,892
Due to Providence Health Care	254,075	1,903,074
	637,747	2,188,966
Deferred revenue	510,417	696,875
Net assets:		
Unrestricted	1,500,117	4,876,087
Internally restricted	5,413,751	5,443,021
Externally restricted	78,356,423	62,721,993
Restricted for endowment	22,733,540	19,152,682
	108,003,831	92,193,783
	<u>\$ 109,151,995</u>	<u>\$ 95,079,624</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ST. PAUL'S FOUNDATION OF VANCOUVER

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted and Internally Restricted	Externally Restricted	Endowment	2018 Total	2017 Total
Revenue:					
Donations (note 8)	\$ 2,842,981	\$28,247,500	\$ 442,018	\$ 31,532,499	\$24,903,554
Investment income (note 9)	2,932,691	1,060,804	177,296	4,170,791	4,083,510
	5,775,672	29,308,304	619,314	35,703,290	28,987,064
Expenses:					
Salaries and benefits	4,187,334	-	-	4,187,334	3,398,229
General administration	649,188	7,271	-	656,459	433,297
Campaigns	875,726	-	-	875,726	836,355
Professional fees	19,610	-	-	19,610	73,162
Consultants and contracts	422,396	-	-	422,396	521,814
Advertising	30,477	-	-	30,477	51,358
Printing	48,251	-	-	48,251	17,311
Education and conferences	179,257	-	-	179,257	60,015
	6,412,239	7,271	-	6,419,510	5,391,541
Excess (deficiency) of revenue over expenses before undernoted:	(636,567)	29,301,033	619,314	29,283,780	23,595,523
Change in fair value of investments	(1,056,806)	-	-	(1,056,806)	5,763,482
Transfers to qualified donees (note 10)	-	(3,377,717)	-	(3,377,717)	(3,169,128)
Grants to Providence Health Care	(1,287,350)	(19,219,006)	-	(20,506,356)	(20,302,165)
Excess (deficiency) of revenue over expenses	\$ (2,980,723)	\$ 6,704,310	\$ 619,314	\$ 4,342,901	\$ 5,887,712

See accompanying notes to financial statements.

ST. PAUL'S FOUNDATION OF VANCOUVER

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted	Internally Restricted	Externally Restricted	Endowment	2018	2017
Net assets, beginning of year	\$ 4,876,087	\$ 5,443,021	\$ 62,721,993	\$ 19,152,682	\$ 92,193,783	\$ 86,306,071
Net asset contribution from Tapestry Foundation (note 3)	76,982	-	8,468,621	2,921,544	11,467,147	-
Excess (deficiency) of revenue over expenses	(2,604,775)	(375,948)	6,704,310	619,314	4,342,901	5,887,712
Interfund transfers (note 11)	(848,177)	346,678	461,499	40,000	-	-
Net assets, end of year	\$ 1,500,117	\$ 5,413,751	\$ 78,356,423	\$ 22,733,540	\$ 108,003,831	\$ 92,193,783

See accompanying notes to financial statements.

ST. PAUL'S FOUNDATION OF VANCOUVER

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 4,342,901	\$ 5,887,712
Items not involving cash:		
Realized gain on sale of investments	(418,130)	(285,013)
Change in fair value of investments	1,056,806	(5,763,482)
	4,981,577	(160,783)
Changes in non-cash working capital balances:		
Accounts receivable	602,259	21,790
Accounts payable and accrued liabilities	(675,385)	120,339
Due to Providence Health Care	(1,648,999)	1,451,670
Deferred revenue	(367,532)	(120,833)
	2,891,920	1,312,183
Investments:		
Purchases of investments	(5,781,400)	(20,215,276)
Contributed cash from Tapestry Foundation (note 3)	418,496	-
Proceeds from disposal of investments	4,082,641	12,311,108
	(1,280,263)	(7,904,168)
Increase (decrease) in cash	1,611,657	(6,591,985)
Cash, beginning of year	5,334,252	11,926,237
Cash, end of year	\$ 6,945,909	\$ 5,334,252
Non-cash transactions:		
Contributed investments from Tapestry Foundation (note 3)	\$ 11,390,165	\$ -
Contributed non-cash working capital from Tapestry Foundation (note 3)	(341,514)	-
	\$ 11,048,651	\$ -

See accompanying notes to financial statements.

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements

Year ended March 31, 2018

1. Operations:

On April 3, 2017, St. Paul's Hospital Foundation of Vancouver and Tapestry Foundation for Health Care amalgamated to become St. Paul's Foundation of Vancouver (the "Foundation") and is a registered society under the Societies Act (British Columbia).

The purpose of the Foundation is to fund, facilitate, promote and carry out activities which are consistent with the objectives of the Providence Health Care Society and the Providence Residential and Community Care Services Society. The Foundation aims to improve the efficiency of research, equipment, education and quality of life programs in relation to the patient and resident care in the facilities owned or operated by either the Providence Health Care Society or the Providence Residential and Community Care Services Society by prudently managing assets held on their behalf.

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.

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

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

(i) Unrestricted Fund and Internally Restricted Funds (continued):

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 Sustainability Fund.

(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 in use comprising of office equipment, computer hardware and software, office renovations, and Lights-of-Hope equipment are recorded at cost less accumulated amortization. The assets have been fully depreciated.

(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.

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(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).

(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, 2018.

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2018

3. Amalgamation with Tapestry Foundation:

On April 3, 2017, St Paul's Hospital Foundation of Vancouver and Tapestry Foundation amalgamated to become St. Paul's Foundation of Vancouver (the "Foundation"). As part of the amalgamation, St Paul's Hospital Foundation agreed to accept and assume all of Tapestry's assets and liabilities effective April 3, 2017 with the continuing operations of the amalgamated entity reflected in the statement of operations of the Foundation subsequent to that date.

The following assets contributed and liabilities assumed were recorded at their carrying value which approximated their fair value as at April 3, 2017. The net assets contribution of \$11,467,147 was recorded as a direct increase to net assets of the Foundation.

Assets

Current assets:

Cash	\$	418,496
Accounts receivable		511,636
Prepaid expenses		101,090
		<hr/> 1,031,222

Investments		11,390,165
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\$ 12,421,387

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	773,166
Deferred revenue		181,074
		<hr/> 954,240

Net Assets:

Unrestricted		76,982
Externally restricted		8,468,621
Restricted for endowments		2,921,544
		<hr/> 11,467,147

\$ 12,421,387

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Investments:

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

	2018	2017
Money market funds	\$ 3,597,395	\$ 2,613,942
Short-term bond and mortgage fund	53,015,256	44,909,850
Canadian equity	24,407,719	23,845,994
US equity	10,818,734	10,372,550
Overseas equity	8,072,547	7,243,212
Guaranteed investment certificates	2,046,513	522,369
	\$ 101,958,164	\$ 89,507,917

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

	2018	2017
Current investments	\$ 79,224,624	\$ 70,355,235
Endowment investments	22,733,540	19,152,682
	\$ 101,958,164	\$ 89,507,917

The guaranteed investment certificate have interest rates from 0.85% to 1.1% (2017 - 2.35%) and mature in May 2018 and February 2019.

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.

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 193,000 active members and approximately 90,000 retired members. Active members include 44 (2017 - 39) contributors from the Foundation.

The most recent actuarial valuation as at December 31, 2015 indicated \$2.224 billion funding surplus 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 \$323,163 (2017 - \$255,907) for employer contributions to the Plan in fiscal 2018.

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 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 Foundation of Vancouver at least annually and in 2018 amounted to \$33,041 (2017 - \$34,775).

8. Government contributions:

During the year, the Foundation received \$8,000,000 (2017 - nil) of contributions from the Province of British Columbia restricted for uses as specified in the contribution agreements.

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Investment income:

Investment income is comprised of:

	2018	2017
Interest	\$ 3,217,425	\$ 3,153,906
Dividends	535,236	644,591
Realized gains	418,130	285,013
	<u>\$ 4,170,791</u>	<u>\$ 4,083,510</u>

10. 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.

11. Interfund transfers:

The Board has approved transfers from the unrestricted fund to the internally restricted funds in the aggregate amount of \$346,678 (2017 - \$348,785) to enhance the Enhanced Patient Care Fund and to the externally restricted fund in the aggregate amount of \$461,499 (2017 - \$1,171,435) to supplement external contributions for specific projects.

12. 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.

(c) Interest rate risk:

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 4.

ST. PAUL'S FOUNDATION OF VANCOUVER

Notes to Financial Statements (continued)

Year ended March 31, 2018

13. Related party transactions:

During the year, Providence Health Care and Providence Health Care Research Institute transferred donations of \$3,628,535 (2017 - \$3,778,097) to the Foundation. These amounts have been recorded in the restricted fund in the statement of operations in accordance with the terms of the contributions.

14. Remuneration:

For the fiscal year ending March 31, 2018, the Society paid total remuneration of \$1,422,677 (2017 - \$1,503,975) to the top ten employees and contractors for services, each of whom received total annual remuneration of \$75,000 or greater.