

Financial Statements of

**ST. PAUL'S HOSPITAL
FOUNDATION, INC.**

Year ended December 31, 2017



KPMG LLP
500-475 2nd Avenue South
Saskatoon Saskatchewan S7K 1P4
Canada
Tel (306) 934-6200
Fax (306) 934-6233

INDEPENDENT AUDITORS' REPORT

To the Board

We have audited the accompanying financial statements of St. Paul's Hospital Foundation, Inc. which comprise the statement of financial position as at December 31, 2017, 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Paul's Hospital Foundation, Inc. as at December 31, 2017, and its results of operations, change in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

March 22, 2018
Saskatoon, Canada

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Financial Position

December 31, 2017, with comparative information for 2016

| | 2017 | 2016 |
|--|---------------|---------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 3,727,290 | \$ 1,728,847 |
| Accounts receivable | 52,715 | 83,786 |
| Inventory | 53,160 | 44,582 |
| Prepaid expenses | 196,415 | 203,075 |
| | 4,029,580 | 2,060,290 |
| Investments (note 3) | 9,256,431 | 8,690,539 |
| Cash and investments in trust for endowment funds (note 5) | 5,496,354 | 5,142,940 |
| Equipment | 13,064 | 12,651 |
| | \$ 18,795,429 | \$ 15,906,420 |

Liabilities and Fund Balances

| | | |
|--|---------------|---------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 421,756 | \$ 527,997 |
| Fund balances: | | |
| General | 4,623,758 | 4,881,303 |
| Designated (note 4) | 8,253,561 | 5,354,180 |
| Endowments (note 5) | 5,496,354 | 5,142,940 |
| | 18,373,673 | 15,378,423 |
| Commitments (note 7) | | |
| | \$ 18,795,429 | \$ 15,906,420 |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Operations

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

| | General | Designated | Endowment | 2017 Total | 2016 Total |
|---|--------------|--------------|------------|---------------|---------------|
| Revenue: | | | | | |
| Donations - general (note 6) | \$ 883,929 | \$ 3,635,631 | \$ 203,775 | \$ 4,723,335 | \$ 2,526,143 |
| Gaming | 1,271,156 | - | - | 1,271,156 | 1,143,289 |
| Project revenue (schedule 1) | 521,023 | - | - | 521,023 | 540,430 |
| Investment income | 1,048,290 | - | 608,107 | 1,656,397 | 983,895 |
| Fair market value adjustment on investments | (220,424) | - | (131,557) | (351,981) | 85,588 |
| | 3,503,974 | 3,635,631 | 680,325 | 7,819,930 | 5,279,345 |
| Expenses: | | | | | |
| Fundraising (schedule 2) | 203,768 | 13,143 | - | 216,911 | 183,069 |
| Salaries and employee benefits | 750,765 | - | - | 750,765 | 713,866 |
| Gaming | 173,554 | - | - | 173,554 | 149,262 |
| Project expenses (schedule 1) | 329,362 | - | - | 329,362 | 358,878 |
| Communications | 27,731 | - | - | 27,731 | 33,899 |
| Administration | 211,389 | - | - | 211,389 | 143,972 |
| | 1,696,569 | 13,143 | - | 1,709,712 | 1,582,946 |
| Program payments - St. Paul's Hospital (Grey Nuns) of Saskatoon | 377,478 | 2,442,301 | 295,189 | 3,114,968 | 3,474,154 |
| | 2,074,047 | 2,455,444 | 295,189 | 4,824,680 | 5,057,100 |
| Excess of revenue over expenses | \$ 1,429,927 | \$ 1,180,187 | \$ 385,136 | \$ 2,995,250 | \$ 222,245 |

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Fund Balances

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

| | General | Designated | Endowment | 2017 Total | 2016 Total |
|---|--------------|--------------|--------------|---------------|---------------|
| Fund balances, beginning of year | \$ 4,881,303 | \$ 5,354,180 | \$ 5,142,940 | \$ 15,378,423 | \$ 15,156,178 |
| Excess (deficiency) of revenue over expenses | 1,429,927 | 1,180,187 | 385,136 | 2,995,250 | 222,245 |
| Interfund transfers (note 9) | (1,687,472) | 1,719,194 | (31,722) | - | - |
| Fund balances, end of year | \$ 4,623,758 | \$ 8,253,561 | \$ 5,496,354 | \$ 18,373,673 | \$ 15,378,423 |

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

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

| | 2017 | 2016 |
|--|--------------|--------------|
| Cash flows from (used in): | | |
| Operations: | | |
| Excess (deficiency) of revenue over expenses | \$ 2,995,250 | \$ 222,245 |
| Items not involving cash: | | |
| Amortization | 3,545 | 3,454 |
| Fair market value adjustments on investments | 351,981 | (85,588) |
| Change in non-cash operating working capital: | | |
| Accounts receivable | 31,071 | (24,179) |
| Inventory | (8,578) | (5,199) |
| Prepaid expenses | 6,660 | 68,209 |
| Accounts payable and accrued liabilities | (106,241) | 82,605 |
| | 3,273,688 | 261,547 |
| Investing: | | |
| Increase (decrease) in investments, net | (786,809) | (196,738) |
| Increase (decrease) in cash and investments in trust for endowment funds, net | (484,478) | (1,060,869) |
| Purchase of equipment | (3,958) | (10,822) |
| | (1,275,245) | (1,268,429) |
| Increase (decrease) in cash | 1,998,443 | (1,006,882) |
| Cash, beginning of year | 1,728,847 | 2,735,729 |
| Cash, end of year | \$ 3,727,290 | \$ 1,728,847 |

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended December 31, 2017

General Information:

St. Paul's Hospital Foundation Inc. (the "Foundation") is incorporated under the Non-Profit Corporations Act of Saskatchewan as a charitable corporation. The Foundation is an independent body responsible for the fund raising programs and allocating funds in keeping with donors' wishes and to the best advantage of St. Paul's Hospital.

1. Significant accounting policies:

(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 general fund, designated funds or endowment funds 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 purchase equipment and support programs of St. Paul's Hospital (Grey Nuns) of Saskatoon.

Designated funds:

The Foundation includes in the designated funds certain donations and contributions specifically designated for the education, research and equipment needs of various departments within St. Paul's Hospital (Grey Nuns) of Saskatoon as well as Foundation designated appeals and designated campaigns.

Endowment funds:

The Foundation has placed certain general endowment contributions in trust in honour of the unique inspiration of St. Marguerite D'Youville. Interest earnings on the fund balance will be used in special initiatives, such as providing scholarships to St. Paul's Hospital employees.

The Foundation has also established a special endowment fund known as The Grey Nuns Legacy Fund to celebrate the continuing legacy of the Grey Nuns at St. Paul's Hospital. Interest earnings on the fund balance will provide annual support of special activities in spiritual care, mission and ethics at St. Paul's Hospital.

The Foundation has established several named endowments from specific donors. The principal of the gift is held in accordance with the terms of the endowment agreement, with interest earnings allocated for the specific purpose for which the endowment was established.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. 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) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(d) Financial instruments:

Financial instruments are initially recognised at fair value and their subsequent measurement is dependent on their classification as described below.

Cash and investments are classified as financial assets and are measured 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.

(e) Amortization:

Amortization is recorded at a rate sufficient to amortize the cost of the equipment to operations over its estimated useful life of 5 years.

(f) Planned giving:

The Foundation receives donations of life insurance policies and charitable remainder trusts, charitable annuities, gifts of property and bequests by wills. Planned giving revenue is recognized by the Foundation when proceeds are received.

In certain cases, the Foundation receives cash for the purposes of paying annual premiums on the life insurance policies where it has been named as the beneficiary. These amounts received are deferred and recognized as planned giving revenue in the period which life insurance premiums are paid.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

2. 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. At December 31, 2017 the Foundation believed it had fulfilled these annual expenditure requirements.

3. Investments:

| | 2017 | 2016 |
|------------------------------|---------------------|---------------------|
| Bond pooled funds, | \$ 1,246,486 | \$ 3,671,452 |
| Global balanced funds | 7,977,839 | - |
| Canadian equity pooled funds | - | 2,076,221 |
| Foreign equity pooled funds | - | 1,463,353 |
| U.S. equity pooled funds | - | 1,440,765 |
| Cash | 32,106 | 38,748 |
| | <u>\$ 9,256,431</u> | <u>\$ 8,690,539</u> |

4. Designated funds:

| | Beginning of Year | Net Revenue | Program Payments | Interfund Transfers | End of Year |
|--------------------|----------------------|---------------------|-----------------------|------------------------|---------------------|
| Departmental funds | \$ 1,751,593 | \$ 358,508 | \$ (339,022) | \$ (38,703) | \$ 1,732,376 |
| Allocated funds | 2,164,252 | 2,908,452 | (1,526,509) | 1,779,927 | 5,326,122 |
| Capital campaigns | 1,438,335 | 355,528 | (576,770) | (22,030) | 1,195,063 |
| | <u>\$ 5,354,180</u> | <u>\$ 3,622,488</u> | <u>\$ (2,442,301)</u> | <u>\$ 1,719,194</u> | <u>\$ 8,253,561</u> |

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Endowment funds:

| | Beginning of Year | Investment Income/ Fair value adjustments | Donations | Program Payments | Interfund Transfers | End of Year |
|---------------------------------------|----------------------|--|------------|---------------------|------------------------|----------------|
| Grey Nuns' Legacy \$ | 3,630,946 | \$ 330,676 | \$ 2,525 | \$ (226,010) | \$ (18,691) | \$ 3,719,446 |
| St. Marguerite d'Youville | 558,768 | 50,510 | - | (35,816) | (2,867) | 570,595 |
| Named: | | | | | | |
| Janice Bergan | 48,887 | 4,891 | - | (1,711) | (521) | 51,546 |
| Evelyn Burkitt | 56,824 | 5,685 | - | (1,989) | (605) | 59,915 |
| Sheila Cooper | 22,221 | 2,223 | 550 | (778) | (242) | 23,974 |
| Humanitas | 18,030 | 1,804 | - | (631) | (192) | 19,011 |
| Joseph Knox | 12,146 | 1,215 | - | (425) | (129) | 12,807 |
| Roy E. Lloyd | 14,061 | 1,407 | 200 | (492) | (152) | 15,024 |
| Sr. Carmen Marquis | 13,412 | 1,342 | - | (469) | (143) | 14,142 |
| William F. Mitchell | 129,251 | 12,931 | - | (4,524) | (1,377) | 136,281 |
| E. McKay Reichardt | 433,607 | 43,379 | - | (15,176) | (4,618) | 457,192 |
| Drs. Yip and Jen | 25,314 | 2,532 | - | (886) | (269) | 26,691 |
| Drs. Yip and Jen - MRI | 33,583 | 3,360 | - | (1,176) | (357) | 35,410 |
| Iris and Barry Maber | 81,091 | 8,113 | - | (2,838) | (864) | 85,502 |
| Russell Muzyka and Delphine Winter | 29,182 | 2,919 | 500 | (1,021) | (316) | 31,264 |
| Orest Chorneyko Memorial | 35,617 | 3,563 | - | (1,247) | (379) | 37,554 |
| Sylvia and Peter Kiziak | - | - | 200,000 | - | - | 200,000 |
| | \$ 5,142,940 | \$ 476,550 | \$ 203,775 | \$ (295,189) | \$ (31,722) | \$ 5,496,354 |

During 2016, St. Paul's Hospital (Grey Nuns) of Saskatoon donated \$500,000 to the Grey Nuns Legacy Fund to assist in sustaining the fund and its ability to continue annual allocations in support of the Catholic Administrative Fellowship and Spiritual Care at St. Paul's Hospital. The Foundation matched this donation and transferred \$500,000 from the general fund to the Grey's Nuns' Legacy Fund.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

5. Endowment funds (continued):

Cash and investments held for endowment funds were invested as follows:

| | 2017 | 2016 |
|------------------------------|---------------------|---------------------|
| Bond pooled funds | \$ 761,996 | \$ 2,092,235 |
| Global balanced funds | 4,734,358 | - |
| Canadian equity pooled funds | - | 1,181,978 |
| U.S. equity pooled funds | - | 834,610 |
| Foreign equity pooled funds | - | 821,469 |
| Cash | - | 212,648 |
| | <u>\$ 5,496,354</u> | <u>\$ 5,142,940</u> |

6. Donations:

Donation revenue consists of the following:

| | General | Designated | Endowment | 2017 Total | 2016 Total |
|---------------------|-------------------|---------------------|-------------------|---------------------|---------------------|
| General donations | \$ 631,254 | \$ 110,569 | \$ 203,775 | \$ 945,598 | \$ 1,093,518 |
| Planned giving | 252,675 | 247,939 | - | 500,614 | 198,905 |
| Campaigns | - | 355,528 | - | 355,528 | 44,211 |
| Allocated donations | - | 2,790,984 | - | 2,790,984 | 709,006 |
| Third party events | - | 130,611 | - | 130,611 | 480,503 |
| | <u>\$ 883,929</u> | <u>\$ 3,635,631</u> | <u>\$ 203,775</u> | <u>\$ 4,723,335</u> | <u>\$ 2,526,143</u> |

During 2017, the Foundation returned \$25,000 to the original donor. The amount is included in third party events within the designated fund.

7. Commitments:

The Foundation has committed to providing St. Paul's Hospital (Grey Nuns) of Saskatoon with \$5,888,947 during 2018 for the acquisition of equipment, staff education and program funding.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Planned giving and pledges:

Planned giving:

The Foundation has been notified that it is the beneficiary of bequests from approximately 66 estates valued at approximately \$1,492,000 however the timing of these bequests is undeterminable at this time. Other planned gifts of life insurance and annuities total \$1,107,000.

Pledges:

The Foundation has been notified of pledged donations from approximately 9 individuals or organizations totaling approximately \$316,000 over several years.

9. Transfers:

The Foundation implements an internal policy whereby the general fund will charge a fee to the restricted funds in order to recover a portion of fundraising and administrative costs. Pursuant to the policy, the general fund recovered administrative fees of \$31,722 (2016 - \$38,748) from the endowment fund and \$45,732 (2016 - \$35,005) from departmental funds within the designated fund based on set rates for annual recoveries per the policy. The general fund also recovered \$nil (2016 - \$123,163) from the allocated and capital campaign funds within the designated fund based approval of such recoveries within policy limits (note 4).

Net interfund transfers totaling \$1,764,926 (2016 - \$178,872) were made from the general fund to the designated fund to fund program payments to St. Paul's Hospital (Grey Nuns) of Saskatoon. In 2016, an interfund transfer totaling \$500,000 was made from the general fund to the Grey Nuns' Legacy Endowment Fund to assist in sustaining the fund.

10. Related party transactions:

During the year, the Foundation contributed \$3,114,968 (2016 - \$3,474,154) to St. Paul's Hospital (Grey Nuns) of Saskatoon toward approved equipment, staff education, facilities and programs.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2017

11. 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 pooled funds managed by external investments advisors. These investments are subject to fluctuations in market value. The market value of investments is disclosed in note 3 and note 5.

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.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Schedule of Project Revenue - Net

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

| | Revenue | Direct Expenses | 2017 Net | Revenue | Direct Expenses | 2016 Net |
|-----------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
| Mistletoe Ball | \$ 189,766 | \$ 72,450 | \$ 117,316 | \$ 171,916 | \$ 71,040 | \$ 100,876 |
| Gift shop | 226,282 | 213,280 | 13,002 | 244,550 | 242,924 | 1,626 |
| Golf tournament | 104,975 | 43,631 | 61,344 | 123,964 | 44,914 | 79,050 |
| | <u>\$ 521,023</u> | <u>\$ 329,362</u> | <u>\$ 191,662</u> | <u>\$ 540,430</u> | <u>\$ 358,878</u> | <u>\$ 181,552</u> |

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Schedule of Fundraising Expenses

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

| | 2017 | 2016 |
|---------------------------------|------------|------------|
| Direct mail | \$ 61,033 | \$ 71,007 |
| Marketing | 68,555 | 67,585 |
| Third party events | 13,143 | 14,284 |
| Donor cultivation & recognition | 29,442 | 30,193 |
| Hospice Campaign | 44,738 | - |
| | \$ 216,911 | \$ 183,069 |