

Financial Statements of

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

Year ended December 31, 2014



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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, 2014, 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, 2014, 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.

Chartered Accountants
Saskatoon, Canada
March 26, 2015

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ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Financial Position

December 31, 2014, with comparative information for 2013

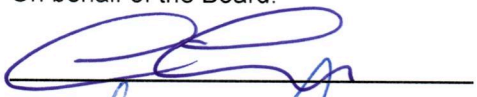
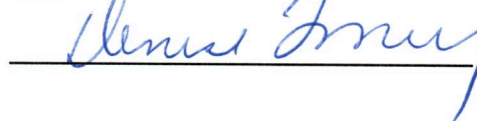
	2014	2013
Assets		
Current assets:		
Cash	\$ 2,491,701	\$ 3,659,974
Accounts receivable	135,699	363,196
Inventory	61,174	56,468
Prepaid expenses	168,717	111,564
	2,857,291	4,191,202
Investments (note 3)	9,644,815	7,991,102
Cash and investments in trust for endowment funds (note 5)	4,198,468	4,139,224
Equipment	6,783	4,205
Grey Nuns residence (note 4)	395,878	395,878
	\$ 17,103,235	\$ 16,721,611

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 254,849	\$ 258,366
Fund balances:		
General	5,966,001	4,375,090
Designated (note 4)	6,683,917	7,948,931
Endowments (note 5)	4,198,468	4,139,224
	16,848,386	16,463,245
Commitments (note 7)		
	\$ 17,103,235	\$ 16,721,611

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, 2014, with comparative information for 2013

	General	Designated	Endowment	2014 Total	2013 Total
Revenue:					
Donations - general (note 6)	\$ 541,335	\$ 1,757,492	\$ 43,752	\$ 2,342,579	\$ 3,929,204
Gaming	1,164,147	-	-	1,164,147	938,938
Project revenue (schedule 1)	691,152	-	-	691,152	423,462
Investment income	649,946	-	259,876	909,822	692,104
Fair market value adjustment on investments	201,964	-	88,083	290,047	120,207
	3,248,544	1,757,492	391,711	5,397,747	6,103,915
Expenses:					
Fundraising (schedule 2)	169,101	40,351	-	209,452	304,279
Salaries and employee benefits	642,516	-	-	642,516	627,066
Gaming	133,906	-	-	133,906	112,712
Project expenses (schedule 1)	333,803	-	-	333,803	273,700
Communications	47,485	-	-	47,485	41,519
Administration	161,940	-	-	161,940	150,019
	1,488,751	40,351	-	1,529,102	1,509,295
Program payments - St. Paul's Hospital (Grey Nuns) of Saskatoon	256,795	2,957,673	269,036	3,483,504	3,177,911
	1,745,546	2,998,024	269,036	5,012,606	4,687,206
Excess (deficiency) of revenue over expenses	\$ 1,502,998	\$ (1,240,532)	\$ 122,675	\$ 385,141	\$ 1,416,709

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Fund Balances

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

	General	Designated	Endowment	2014 Total	2013 Total
Fund balances, beginning of year	\$ 4,375,090	\$ 7,948,931	\$ 4,139,224	\$ 16,463,245	\$ 15,046,536
Excess of revenue over expenses	1,502,998	(1,240,532)	122,675	385,141	1,416,709
Interfund transfers	87,913	(24,482)	(63,431)	-	-
Fund balances, end of year	\$ 5,966,001	\$ 6,683,917	\$ 4,198,468	\$ 16,848,386	\$ 16,463,245

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

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

	2014	2013
Cash flows from (used in):		
Operations:		
Excess of revenue over expenses	\$ 385,141	\$ 1,416,709
Items not involving cash:		
Amortization	3,308	3,140
Fair market value adjustments on investments	(290,047)	(120,207)
Change in non-cash operating working capital:		
Accounts receivable	227,497	(293,058)
Inventory	(4,706)	2,548
Prepaid expenses	(57,153)	(29,380)
Accounts payable and accrued liabilities	(3,517)	44,078
	260,523	1,023,830
Investing:		
Increase in investments, net	(1,446,769)	(4,015,575)
Decrease (increase) in cash and investments in trust for endowment funds, net	23,859	143,101
Purchase of equipment	(5,886)	(1,015)
	(1,428,796)	(3,873,489)
Decrease in cash	(1,168,273)	(2,849,659)
Cash, beginning of year	3,659,974	6,509,633
Cash, end of year	\$ 2,491,701	\$ 3,659,974

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended December 31, 2014

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)

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)

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, 2014 the Foundation believed it had fulfilled these annual expenditure requirements.

3. Investments:

	2014	2013
Managed portfolio:		
Bond pooled funds, average yield of 3.00% (2013 - 3.42%)	\$ 4,200,242	\$ 4,530,064
Canadian equity pooled funds	2,078,322	2,348,756
Foreign equity pooled funds	1,518,762	556,030
U.S. equity pooled funds	1,784,058	493,218
Cash	63,431	63,034
	\$ 9,644,815	\$ 7,991,102

4. Designated funds:

	Beginning of Year	Net Revenue	Program Payments	Interfund Transfers	End of Year
Departmental funds	\$ 2,118,835	\$ 355,893	\$ (418,540)	\$ 124,785	\$ 2,180,973
Allocated funds	3,664,581	1,363,642	(2,490,432)	(149,267)	2,388,524
Capital campaigns	2,165,515	12,557	(63,652)	-	2,114,420
	\$ 7,948,931	\$ 1,732,092	\$ (2,972,624)	\$ (24,482)	\$ 6,683,917

The Grey Nuns residence has been designated for the palliative care hospice or other purposes as determined by the Board within the designated fund.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

5. Endowment funds:

	Beginning of Year	Investment Income/ Fair value adjustments	Donations	Program Payments	Interfund Transfers	End, of Year
Grey Nuns' Legacy \$	2,680,380	\$ 221,859	\$ 2,500	\$ (162,500)	\$ (41,134)	\$ 2,701,105
St. Marguerite D'Youville	610,340	54,188	5,000	(77,699)	(8,877)	582,952
Named:						
Janice Bergan	45,653	3,869	-	(1,598)	(719)	47,205
Evelyn Burkitt	53,063	4,497	-	(1,857)	(836)	54,867
Sheila Cooper	19,154	1,623	550	(670)	(310)	20,347
Humanitas	16,836	1,427	-	(589)	(265)	17,409
Joseph Knox	11,344	961	-	(397)	(179)	11,729
Roy E. Lloyd	12,568	1,065	200	(440)	(201)	13,192
Sr. Carmen Marquis	12,523	1,061	-	(438)	(197)	12,949
William F. Mitchell	120,458	10,209	250	(4,216)	(1,901)	124,800
E. McKay Reichardt	404,907	34,317	-	(14,172)	(6,376)	418,676
Drs. Yip and Jen	22,686	1,923	1,000	(794)	(372)	24,443
Drs. Yip and Jen - MRI	31,359	2,658	-	(1,098)	(494)	32,425
Iris and Barry Maber	73,364	6,218	1,000	(2,568)	(1,170)	76,844
Russell Muzyka and Delphine Winter	24,589	2,084	-	-	(400)	26,273
Orest Chorneyko Memorial	-	-	33,252	-	-	33,252
	\$ 4,139,224	\$ 347,959	\$ 43,752	\$ (269,036)	\$ (63,431)	\$ 4,198,468

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

	2014	2013
Managed portfolio:		
Bond pooled funds, with an average yield of 3.00% (2013 - 3.42%)	\$ 1,734,576	\$ 2,300,380
Canadian equity pooled funds	853,196	1,155,774
U.S. equity pooled funds	736,237	236,921
Foreign equity pooled funds	626,911	282,125
Cash	247,548	164,024
	\$ 4,198,468	\$ 4,139,224

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

6. Donations:

Donation revenue consists of the following:

	General	Designated	Endowment	2014 Total	2013 Total
General donations	\$ 377,413	\$ 259,171	\$ 43,752	\$ 680,336	\$ 986,542
Planned giving	163,922	96,722	-	260,644	382,292
Campaigns	-	12,557	-	12,557	13,410
Allocated donations	-	1,107,370	-	1,107,370	2,181,500
Third party events	-	281,672	-	281,672	365,460
	\$ 541,335	\$ 1,757,492	\$ 43,752	\$ 2,342,579	\$ 3,929,204

7. Commitments:

The Foundation has committed to providing St. Paul's Hospital (Grey Nuns) of Saskatoon with \$5,681,000 during 2015 for the acquisition of equipment, staff education and program funding.

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 \$1,728,000, however the timing of these bequests is undeterminable at this time. Other planned gifts of life insurance and annuities total \$1,137,000.

Pledges:

The Foundation has been notified of pledged donations from approximately 11 individuals or organizations totaling approximately \$290,000 over several years.

9. Recovery of fund raising costs:

During 2013, the Foundation adopted an internal policy whereby the general fund will charge a fee to the restricted funds in order to recover a portion of fundraising costs. Pursuant to the policy, the general fund recovered administrative fees of \$63,431 (2013 - \$63,034) from the endowment fund and \$40,430 (2013 - nil) from the designated department fund. These administrative charges are presented as interfund transfers in the statement of fund balances.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

10. Related party transactions:

During the year, the Foundation contributed \$3,483,504 (2013 - \$3,177,911) to St. Paul's Hospital (Grey Nuns) of Saskatoon toward the purchase of approved equipment, staff education and programs.

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, 2014, with comparative information for 2013

	Revenue	Direct Expenses	2014 Net	Revenue	Direct Expenses	2013 Net
Mistletoe ball	\$ 218,330	\$ 66,978	\$ 151,352	\$ 207,688	\$ 70,043	\$ 137,645
Gift shop	215,906	208,906	7,000	215,774	203,657	12,117
Golf tournament	256,916	57,919	198,997	-	-	-
	\$ 691,152	\$ 333,803	\$ 357,349	\$ 423,462	\$ 273,700	\$ 149,762

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Schedule of Fundraising Expenses

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

	2014	2013
Direct mail	\$ 65,065	\$ 67,508
Marketing	39,788	33,404
Third party events	25,400	150,393
Donor cultivation & recognition	59,098	49,617
Planned giving	5,150	3,357
Campaign	14,951	-
	\$ 209,452	\$ 304,279