

Financial Statements of

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

Year ended December 31, 2015



KPMG LLP
500 – 475 Second Avenue South
Saskatoon Saskatchewan S7K 1P4
Canada

Telephone (306) 934-6200
Fax (306) 934-6233
www.kpmg.ca

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, 2015, 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, 2015, 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 Professional Accountants
Saskatoon, Canada
March 24, 2016

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Financial Position

December 31, 2015, with comparative information for 2014

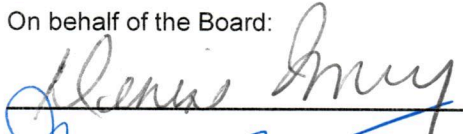

	2015	2014
Assets		
Current assets:		
Cash	\$ 2,735,729	\$ 2,491,701
Accounts receivable	59,607	135,699
Inventory	39,383	61,174
Prepaid expenses	271,284	168,717
	3,106,003	2,857,291
Investments (note 3)	8,442,744	9,644,815
Cash and investments in trust for endowment funds (note 5)	4,047,539	4,198,468
Equipment	5,283	6,783
Grey Nuns residence (note 4)	-	395,878
	\$ 15,601,569	\$ 17,103,235

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 445,391	\$ 254,849
Fund balances:		
General	4,364,013	5,966,001
Designated (note 4)	6,744,625	6,683,917
Endowments (note 5)	4,047,540	4,198,468
	15,156,178	16,848,386
Commitments (note 7)		
	\$ 15,601,569	\$ 17,103,235

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, 2015, with comparative information for 2014

	General	Designated	Endowment	2015 Total	2014 Total
Revenue:					
Donations - general (note 6)	\$ 394,207	\$ 1,758,473	\$ 4,250	\$ 2,156,930	\$ 2,342,579
Gaming	1,159,097	-	-	1,159,097	1,164,147
Project revenue (schedule 1)	484,734	-	-	484,734	691,152
Investment income	827,291	-	368,600	1,195,891	909,822
Fair market value adjustment on investments	(252,089)	-	(131,301)	(383,390)	290,047
	2,613,240	1,758,473	241,549	4,613,262	5,397,747
Expenses:					
Fundraising (schedule 2)	165,696	13,029	-	178,725	209,452
Salaries and employee benefits	697,267	-	-	697,267	642,516
Gaming	157,101	-	-	157,101	133,906
Project expenses (schedule 1)	348,571	-	-	348,571	333,803
Communications	49,472	-	-	49,472	47,485
Administration	151,065	-	-	151,065	161,940
	1,569,172	13,029	-	1,582,201	1,529,102
Program payments - St. Paul's Hospital (Grey Nuns) of Saskatoon	643,546	3,748,882	330,841	4,723,269	3,483,504
	2,212,718	3,761,911	330,841	6,305,470	5,012,606
Excess (deficiency) of revenue over expenses	\$ 400,522	\$(2,003,438)	\$ (89,292)	\$(1,692,208)	\$ 385,141

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Fund Balances

Year ended December 31, 2015, with comparative information for 2014

	General	Designated	Endowment	2015 Total	2014 Total
Fund balances, beginning of year	\$ 5,966,001	\$ 6,683,917	\$ 4,198,468	\$ 16,848,386	\$ 16,463,245
Excess (deficiency) of revenue over expenses	400,522	(2,003,438)	(89,292)	(1,692,208)	385,141
Interfund transfers (note 9)	(2,002,510)	2,064,146	(61,636)	-	-
Fund balances, end of year	\$ 4,364,013	\$ 6,744,625	\$ 4,047,540	\$ 15,156,178	\$ 16,848,386

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (1,692,208)	\$ 385,141
Items not involving cash:		
Transfer of Grey Nuns residence	395,877	-
Amortization	1,501	3,308
Fair market value adjustments on investments	383,390	(290,047)
Change in non-cash operating working capital:		
Accounts receivable	76,092	227,497
Inventory	21,791	(4,706)
Prepaid expenses	(102,567)	(57,153)
Accounts payable and accrued liabilities	190,542	(3,517)
	(725,582)	260,523
Investing:		
Decrease (increase) in investments, net	949,982	(1,446,769)
Decrease in cash and investments in trust for endowment funds, net	19,628	23,859
Purchase of equipment	-	(5,886)
	969,610	(1,428,796)
Increase (decrease) in cash	244,028	(1,168,273)
Cash, beginning of year	2,491,701	3,659,974
Cash, end of year	\$ 2,735,729	\$ 2,491,701

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended December 31, 2015

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, 2015 the Foundation believed it had fulfilled these annual expenditure requirements.

3. Investments:

	2015	2014
Managed portfolio:		
Bond pooled funds, average yield of 2.84% (2014 - 3.00%)	\$ 3,580,742	\$ 4,200,242
Canadian equity pooled funds	1,588,783	2,078,322
Foreign equity pooled funds	1,532,991	1,518,762
U.S. equity pooled funds	1,678,589	1,784,058
Cash	61,639	63,431
	<u>\$ 8,442,744</u>	<u>\$ 9,644,815</u>

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

4. Designated funds:

	Beginning of Year	Net Revenue	Program Payments	Interfund Transfers	End of Year
Departmental funds	\$ 2,180,973	\$ 309,867	\$ (688,715)	\$ (9,726)	\$ 1,792,399
Allocated funds	2,388,524	1,434,377	(3,058,298)	2,073,872	2,838,475
Capital campaigns	2,114,420	1,200	(1,869)	-	2,113,751
	<u>\$ 6,683,917</u>	<u>\$ 1,745,444</u>	<u>\$ (3,748,882)</u>	<u>\$ 2,064,146</u>	<u>\$ 6,744,625</u>

During the year, the Grey Nuns residence was transferred at its carrying value to St. Paul's Hospital (Grey Nuns) of Saskatoon for use by Sanctum Care Group. The transfer is reported as a program payment of \$395,877 in the allocated funds.

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 \$	2,701,105	\$ 152,739	\$ 2,500	\$ (240,000)	\$ (39,245)	\$ 2,577,099
St. Marguerite D'Youville	582,952	32,611	-	(60,000)	(8,333)	547,230
Named:						
Janice Bergan	47,205	2,681	-	(1,652)	(724)	47,510
Evelyn Burkitt	54,867	3,117	-	(1,920)	(841)	55,223
Sheila Cooper	20,347	1,156	550	(712)	(320)	21,021
Humanitas	17,409	989	-	(609)	(267)	17,522
Joseph Knox	11,729	666	-	(411)	(180)	11,804
Roy E. Lloyd	13,192	749	200	(462)	(205)	13,474
Sr. Carmen Marquis	12,949	736	-	(453)	(198)	13,034
William F. Mitchell	124,800	7,090	-	(4,368)	(1,913)	125,609
E. McKay Reichardt	418,676	23,786	-	(14,653)	(6,417)	421,392
Drs. Yip and Jen	24,443	1,389	-	(856)	(375)	24,601
Drs. Yip and Jen - MRI	32,425	1,842	-	(1,135)	(496)	32,636
Iris and Barry Maber	76,844	4,366	1,000	(2,690)	(1,193)	78,327
Russel Muzyka and Delphine Winter	26,273	1,493	-	(920)	(402)	26,444
Orest Chorneyko Memorial	33,252	1,889	-	-	(527)	34,614
	\$ 4,198,468	\$ 237,299	\$ 4,250	\$ (330,841)	\$ (61,636)	\$ 4,047,540

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

	2015	2014
Managed portfolio:		
Bond pooled funds, with an average yield of 2.84% (2014 - 3.00%)	\$ 1,659,771	\$ 1,734,576
Canadian equity pooled funds	736,272	853,196
U.S. equity pooled funds	777,459	736,237
Foreign equity pooled funds	710,057	626,911
Cash	163,980	247,548
	\$ 4,047,539	\$ 4,198,468

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

6. Donations:

Donation revenue consists of the following:

	General	Designated	Endowment	2015 Total	2014 Total
General donations	\$ 295,445	\$ 293,516	\$ 4,250	\$ 593,211	\$ 680,336
Planned giving	98,762	16,351	-	115,113	260,644
Campaigns	-	-	-	-	12,557
Allocated donations	-	1,147,464	-	1,147,464	1,107,370
Third party events	-	299,942	-	299,942	281,672
Hospice Care	-	1,200	-	1,200	-
	\$ 394,207	\$ 1,758,473	\$ 4,250	\$ 2,156,930	\$ 2,342,579

7. Commitments:

The Foundation has committed to providing St. Paul's Hospital (Grey Nuns) of Saskatoon with \$3,810,900 during 2016 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 63 estates valued at approximately \$1,667,000 however the timing of these bequests is undeterminable at this time. Other planned gifts of life insurance and annuities total \$1,087,000.

Pledges:

The Foundation has been notified of pledged donations from approximately 16 individuals or organizations totaling approximately \$155,000 over several years.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

9. Transfers:

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 and administrative costs. Pursuant to the policy, the general fund recovered administrative fees of \$61,636 (2014 - \$63,431) from the endowment fund and \$42,369 (2014 - \$40,430) from the designated department fund. These administrative charges are presented as interfund transfers in the statement of fund balances.

Interfund transfers totaling \$2,106,515 were made from the general fund to the designated fund to fund program payments to St. Paul's Hospital (Grey Nuns) of Saskatoon.

10. Related party transactions:

During the year, the Foundation contributed \$4,723,269 (2014 - \$3,483,504) to St. Paul's Hospital (Grey Nuns) of Saskatoon toward approved equipment, staff education, facilities 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, 2015, with comparative information for 2014

	Revenue	Direct Expenses	2015 Net	Revenue	Direct Expenses	2014 Net
Mistletoe Ball	\$ 161,623	\$ 70,689	\$ 90,934	\$ 218,330	\$ 66,978	\$ 151,352
Gift shop	214,950	234,885	(19,935)	215,906	208,906	7,000
Golf tournament	108,161	42,997	65,164	256,916	57,919	198,997
	\$ 484,734	\$ 348,571	\$ 136,163	\$ 691,152	\$ 333,803	\$ 357,349

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Schedule of Fundraising Expenses

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Direct mail	\$ 58,847	\$ 65,065
Marketing	73,787	39,788
Third party events	13,029	25,400
Donor cultivation & recognition	33,062	59,098
Planned giving	-	5,150
Campaign	-	14,951
	\$ 178,725	\$ 209,452