

Financial Statements of

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

Year ended December 31, 2016



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, 2016, 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, 2016, 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 23, 2017
Saskatoon, Canada

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Financial Position

December 31, 2016, with comparative information for 2015

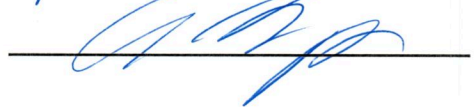
	2016	2015
Assets		
Current assets:		
Cash	\$ 1,728,847	\$ 2,735,729
Accounts receivable	83,786	59,607
Inventory	44,582	39,383
Prepaid expenses	203,075	271,284
	2,060,290	3,106,003
Investments (note 3)	8,690,539	8,442,744
Cash and investments in trust for endowment funds (note 5)	5,142,940	4,047,540
Equipment	12,651	5,283
	\$ 15,906,420	\$ 15,601,570

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 527,997	\$ 445,392
Fund balances:		
General	4,881,303	4,364,013
Designated (note 4)	5,354,180	6,744,625
Endowments (note 5)	5,142,940	4,047,540
	15,378,423	15,156,178
Commitments (note 7)		
	\$ 15,906,420	\$ 15,601,570

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, 2016, with comparative information for 2015

	General	Designated	Endowment	2016 Total	2015 Total
Revenue:					
Donations - general (note 6)	\$ 488,779	\$ 1,531,564	\$ 505,800	\$ 2,526,143	\$ 2,156,930
Gaming	1,143,289	-	-	1,143,289	1,159,097
Project revenue (schedule 1)	540,430	-	-	540,430	484,734
Investment income	633,948	-	349,947	983,895	1,195,891
Fair market value adjustment on investments	51,057	-	34,531	85,588	(383,390)
	2,857,503	1,531,564	890,278	5,279,345	4,613,262
Expenses:					
Fundraising (schedule 2)	168,785	14,284	-	183,069	178,725
Salaries and employee benefits	713,866	-	-	713,866	697,267
Gaming	149,262	-	-	149,262	157,101
Project expenses (schedule 1)	358,878	-	-	358,878	348,571
Communications	33,899	-	-	33,899	49,472
Administration	143,972	-	-	143,972	151,065
	1,568,662	14,284	-	1,582,946	1,582,201
Program payments - St. Paul's Hospital (Grey Nuns) of Saskatoon	289,595	2,928,429	256,130	3,474,154	4,723,269
	1,858,257	2,942,713	256,130	5,057,100	6,305,470
Excess (deficiency) of revenue over expenses	\$ 999,246	\$(1,411,149)	\$ 634,148	\$ 222,245	\$(1,692,208)

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Fund Balances

Year ended December 31, 2016, with comparative information for 2015

	General	Designated	Endowment	2016 Total	2015 Total
Fund balances, beginning of year	\$ 4,364,013	\$ 6,744,625	\$ 4,047,540	\$ 15,156,178	\$ 16,848,386
Excess (deficiency) of revenue over expenses	999,246	(1,411,149)	634,148	222,245	(1,692,208)
Interfund transfers (note 9)	(481,956)	20,704	461,252	-	-
Fund balances, end of year	\$ 4,881,303	\$ 5,354,180	\$ 5,142,940	\$ 15,378,423	\$ 15,156,178

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 222,245	\$ (1,692,208)
Items not involving cash:		
Transfer of Grey Nuns residence	-	395,877
Amortization	3,454	1,501
Fair market value adjustments on investments	(85,588)	383,390
Change in non-cash operating working capital:		
Accounts receivable	(24,179)	76,092
Inventory	(5,199)	21,791
Prepaid expenses	68,209	(102,567)
Accounts payable and accrued liabilities	82,605	190,542
	261,547	(725,582)
Investing:		
Increase (decrease) in investments, net	(196,738)	949,982
Increase (decrease) in cash and investments in trust for endowment funds, net	(1,060,869)	19,628
Purchase of equipment	(10,822)	-
	(1,268,429)	969,610
Increase (decrease) in cash	(1,006,882)	244,028
Cash, beginning of year	2,735,729	2,491,701
Cash, end of year	\$ 1,728,847	\$ 2,735,729

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended December 31, 2016

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, 2016 the Foundation believed it had fulfilled these annual expenditure requirements.

3. Investments:

	2016	2015
Managed portfolio:		
Bond pooled funds, average yield of 3.01% (2015 - 2.84%)	\$ 3,671,452	\$ 3,580,742
Canadian equity pooled funds	2,076,221	1,588,783
Foreign equity pooled funds	1,463,353	1,532,991
U.S. equity pooled funds	1,440,765	1,678,589
Cash	38,748	61,639
	\$ 8,690,539	\$ 8,442,744

4. Designated funds:

	Beginning of Year	Net Revenue	Program Payments	Interfund Transfers	End of Year
Departmental funds	\$ 1,792,399	\$ 297,843	\$ (303,644)	\$ (35,005)	\$ 1,751,593
Allocated funds	2,838,475	1,175,225	(1,909,622)	60,174	2,164,252
Capital campaigns	2,113,751	44,212	(715,163)	(4,465)	1,438,335
	\$ 6,744,625	\$ 1,517,280	\$ (2,928,429)	\$ 20,704	\$ 5,354,180

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 \$	2,577,099	\$ 266,610	\$ 502,500	\$ (199,540)	\$ 484,277	\$ 3,630,946
St. Marguerite D'Youville	547,230	44,325	-	(24,278)	(8,509)	558,768
Named:						
Janice Bergan	47,510	3,785	-	(1,663)	(745)	48,887
Evelyn Burkitt	55,223	4,399	-	(1,933)	(865)	56,824
Sheila Cooper	21,021	1,674	600	(736)	(338)	22,221
Humanitas	17,522	1,396	-	(613)	(275)	18,030
Joseph Knox	11,804	940	-	(413)	(185)	12,146
Roy E. Lloyd	13,474	1,073	200	(472)	(214)	14,061
Sr. Carmen Marquis	13,034	1,038	-	(456)	(204)	13,412
William F. Mitchell	125,609	10,006	-	(4,396)	(1,968)	129,251
E. McKay Reichardt	421,392	33,568	-	(14,750)	(6,603)	433,607
Drs. Yip and Jen	24,601	1,960	-	(861)	(386)	25,314
Drs. Yip and Jen - MRI	32,636	2,600	-	(1,142)	(511)	33,583
Iris and Barry Maber	78,327	6,240	500	(2,741)	(1,235)	81,091
Russell Muzyka and Delphine Winter	26,444	2,107	2,000	(925)	(444)	29,182
Orest Chorneyko Memorial	34,614	2,757	-	(1,211)	(543)	35,617
	\$ 4,047,540	\$ 384,478	\$ 505,800	\$ (256,130)	\$ 461,252	\$ 5,142,940

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.

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

	2016	2015
Managed portfolio:		
Bond pooled funds, with an average yield of 3.01% (2015 - 2.84%)	\$ 2,092,235	\$ 1,659,772
Canadian equity pooled funds	1,181,978	736,272
U.S. equity pooled funds	834,610	777,459
Foreign equity pooled funds	821,469	710,057
Cash	212,648	163,980
	\$ 5,142,940	\$ 4,047,540

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

6. Donations:

Donation revenue consists of the following:

	General	Designated	Endowment	2016 Total	2015 Total
General donations	\$ 301,874	\$ 285,844	\$ 505,800	\$ 1,093,518	\$ 593,211
Planned giving	186,905	12,000	-	198,905	115,113
Allocated donations	-	709,006	-	709,006	1,147,464
Third party events	-	480,503	-	480,503	299,942
Hospice	-	44,211	-	44,211	1,200
	\$ 488,779	\$ 1,531,564	\$ 505,800	\$ 2,526,143	\$ 2,156,930

7. Commitments:

The Foundation has committed to providing St. Paul's Hospital (Grey Nuns) of Saskatoon with \$2,953,804 during 2017 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 64 estates valued at approximately \$1,672,000 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 8 individuals or organizations totaling approximately \$144,000 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 \$38,748 (2015 - \$61,636) from the endowment fund of \$35,005 (2015 - \$42,369) from departmental funds within the designated fund based on set rates for annual recoveries as per the policy. The general fund also recovered \$123,163 (2015 - \$nil) from the allocated and capital campaign funds within the designated fund based approval of such recoveries within policy limits (note 4).

Interfund transfers totaling \$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. 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 \$3,474,154 (2015 - \$4,723,269) 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, 2016, with comparative information for 2015

	Revenue	Direct Expenses	2016 Net	Revenue	Direct Expenses	2015 Net
Mistletoe Ball	\$ 171,916	\$ 71,040	\$ 100,876	\$ 161,623	\$ 70,689	\$ 90,934
Gift shop	244,550	242,924	1,626	214,950	234,885	(19,935)
Golf tournament	123,964	44,914	79,050	108,161	42,997	65,164
	\$ 540,430	\$ 358,878	\$ 181,552	\$ 484,734	\$ 348,571	\$ 136,163

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Schedule of Fundraising Expenses

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Direct mail	\$ 71,007	\$ 58,847
Marketing	67,585	73,787
Third party events	14,284	13,029
Donor cultivation & recognition	30,193	33,062
	\$ 183,069	\$ 178,725