

Financial Statements of

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

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of St. Paul's Hospital Foundation, Inc.

Opinion

We have audited the financial statements of St. Paul's Hospital Foundation, Inc., (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations for the year then ended
- the statement of fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Saskatoon, Canada

March 28, 2019

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 3,210,061	\$ 3,727,290
Accounts receivable	84,726	52,715
Inventory	69,152	53,160
Prepaid expenses	201,968	196,415
	<u>3,565,907</u>	<u>4,029,580</u>
Investments (note 3)	11,945,609	9,256,431
Cash and investments in trust for endowment funds (note 5)	5,782,775	5,496,354
Equipment	8,922	13,064
	<u>\$ 21,303,213</u>	<u>\$ 18,795,429</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities	\$ 552,495	\$ 421,756
Fund balances:		
General	4,165,232	4,623,758
Designated (note 4)	10,802,711	8,253,561
Endowments (note 5)	5,782,775	5,496,354
	<u>20,750,718</u>	<u>18,373,673</u>
Commitments (note 7)		
	<u>\$ 21,303,213</u>	<u>\$ 18,795,429</u>

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, 2018, with comparative information for 2017

	General	Designated	Endowment	2018 Total	2017 Total
Revenue:					
Donations - general (note 6)	\$ 454,863	\$ 5,906,002	\$ 202,463	\$ 6,563,328	\$ 4,723,335
Gaming	1,306,645	-	-	1,306,645	1,271,156
Project revenue (schedule 1)	518,066	-	-	518,066	521,023
Investment income	597,018	-	263,655	860,673	1,656,396
Fair market value adjustment on investments	(702,013)	-	(327,463)	(1,029,476)	(351,981)
	2,174,579	5,906,002	138,655	8,219,236	7,819,929
Expenses:					
Fundraising (schedule 2)	157,465	15,051	-	172,516	216,911
Salaries and employee benefits	772,817	-	-	772,817	750,765
Gaming	179,853	-	-	179,853	173,554
Project expenses (schedule 1)	327,944	-	-	327,944	329,361
Communications	28,937	-	-	28,937	27,731
Administration	244,966	-	-	244,966	211,389
	1,711,982	15,051	-	1,727,033	1,709,711
Program payments - St. Paul's Hospital (Grey Nuns) of Saskatoon	205,263	3,587,031	322,864	4,115,158	3,114,968
	1,917,245	3,602,082	322,864	5,842,191	4,824,679
Excess (deficiency) of revenue over expenses	\$ 257,334	\$ 2,303,920	\$ (184,209)	\$ 2,377,045	\$ 2,995,250

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Fund Balances

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

	General	Designated	Endowment	2018 Total	2017 Total
Fund balances, beginning of year	\$ 4,623,758	\$ 8,253,561	\$ 5,496,354	\$ 18,373,673	\$ 15,378,423
Excess (deficiency) of revenue over expenses	257,334	2,303,920	(184,209)	2,377,045	2,995,250
Interfund transfers (note 9)	(715,860)	245,230	470,630	-	-
Fund balances, end of year	\$ 4,165,232	\$ 10,802,711	\$ 5,782,775	\$ 20,750,718	\$ 18,373,673

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Statement of Cash Flows

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

	2018	2017
Cash flows from (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 2,377,045	\$ 2,995,250
Items not involving cash:		
Amortization	4,142	3,545
Fair market value adjustments on investments	1,029,476	351,981
Change in non-cash operating working capital:		
Accounts receivable	(32,011)	31,071
Inventory	(15,992)	(8,578)
Prepaid expenses	(5,553)	6,660
Accounts payable and accrued liabilities	130,739	(106,241)
	3,487,846	3,273,688
Investing:		
(Increase) decrease in investments, net	(3,393,042)	(786,809)
(Increase) decrease in cash and investments in trust for endowment funds, net	(612,033)	(484,478)
Purchase of equipment	-	(3,958)
	(4,005,075)	(1,275,245)
Increase (decrease) in cash	(517,229)	1,998,443
Cash, beginning of year	3,727,290	1,728,847
Cash, end of year	\$ 3,210,061	\$ 3,727,290

See accompanying notes to financial statements.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements

Year ended December 31, 2018

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, 2018

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 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, 2018

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, 2018 the Foundation believed it had fulfilled these annual expenditure requirements.

3. Investments:

	2018	2017
Bond pooled funds,	\$ 1,687,915	\$ 1,246,486
Global balanced funds	10,228,158	7,977,839
Cash	29,536	32,106
	\$ 11,945,609	\$ 9,256,431

4. Designated funds:

	Beginning of Year	Net Revenue	Program Payments	Interfund Transfers	End of Year
Departmental funds	\$ 1,732,376	\$ 331,845	\$ (304,937)	\$ (43,929)	\$ 1,715,355
Allocated funds	5,326,122	818,518	(2,670,017)	886,893	4,361,516
Hospice campaign	244,335	4,740,588	(421,682)	(597,734)	3,965,507
Other capital campaigns	950,728	-	(190,395)	-	760,333
	\$ 8,253,561	\$ 5,890,951	\$ (3,587,031)	\$ 245,230	\$ 10,802,711

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2018

5. Endowment funds:

	Beginning of Year	Investment Income/ Fair value adjustments	Donations	Program Payments	Interfund Transfers	End of Year
Grey Nuns' Legacy	\$ 3,719,446	\$ (34,151)	\$ 2,000	\$ (240,000)	\$ (17,236)	\$ 3,430,059
St. Marguerite d'Youville	570,595	(13,359)	-	(47,643)	497,451	1,007,044
Named:						
Janice Bergan	51,546	(696)	-	(1,804)	(490)	48,556
Evelyn Burkitt	59,915	(809)	-	(2,097)	(570)	56,439
Sheila Cooper	23,974	(325)	550	(839)	(234)	23,126
Humanitas	19,011	(257)	-	(666)	(181)	17,907
Joseph Knox	12,807	(173)	-	(448)	(122)	12,064
Roy E. Lloyd	15,024	(203)	200	(526)	(145)	14,350
Sr. Carmen Marquis	14,142	(191)	-	(495)	(135)	13,321
William F. Mitchell	136,281	(1,841)	-	(4,770)	(1,297)	128,373
E. McKay Reichardt	457,192	(6,178)	-	(16,002)	(4,350)	430,662
Drs. Yip and Jen	26,691	(361)	-	(934)	(254)	25,142
Drs. Yip and Jen - MRI	35,410	(478)	-	(1,239)	(337)	33,356
Iris and Barry Maber	85,502	(1,155)	250	(2,993)	(816)	80,788
Russell Muzyka and Delphine Winter	31,264	(422)	-	(1,094)	(297)	29,451
Orest Chorneyko Memorial	37,554	(507)	-	(1,314)	(357)	35,376
Sylvia and Peter Kiziak	200,000	(2,702)	198,963	-	-	396,261
Hospice at Glengarda	-	-	500	-	-	500
	\$ 5,496,354	\$ (63,808)	\$ 202,463	\$ (322,864)	\$ 470,630	\$ 5,782,775

During 2018, the Foundation transferred \$500,000 from the general fund to the St. Marguerite D'Youville Fund.

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2018

5. Endowment funds (continued):

Investments held for endowment funds were invested as follows:

	2018	2017
Bond pooled funds	\$ 823,027	\$ 761,996
Global balanced funds	4,959,748	4,734,358
	\$ 5,782,775	\$ 5,496,354

6. Donations:

Donation revenue consists of the following:

				2018	2017
	General	Designated	Endowment	Total	Total
Undesignated donations	\$ 218,770	\$ -	\$ -	\$ 218,770	\$ 631,254
Planned giving	236,093	3,889	198,963	438,945	500,614
Campaign donations	-	4,740,588	-	4,740,588	355,528
Designated donations	-	1,030,910	3,500	1,034,410	3,105,328
Third party events	-	130,615	-	130,615	130,611
	\$ 454,863	\$ 5,906,002	\$ 202,463	\$ 6,563,328	\$ 4,723,335

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Notes to Financial Statements (continued)

Year ended December 31, 2018

7. Commitments:

The Foundation has committed to providing St. Paul's Hospital (Grey Nuns) of Saskatoon with \$10,642,201 during 2019 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 60 estates valued at approximately \$1,327,000 however the timing of these bequests is undeterminable at this time. Other planned gifts of life insurance and annuities total \$1,102,000.

Pledges:

The Foundation has been notified of pledged donations from approximately 27 individuals or organizations totaling approximately \$8,761,000 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 \$29,370 (2017 - \$31,722) from the endowment fund and \$43,929 (2017 - \$45,732) from departmental funds within the designated fund based on set rates for annual recoveries per the policy. The general fund also recovered \$597,734 (2017 - \$nil) from Hospice campaign funds within the designated fund based on approval of such recoveries within policy limits (note 4).

Other interfund transfers totaling \$886,893 (2017 - \$1,719,194) were made from the general fund to the designated fund to fund program payments to St. Paul's Hospital (Grey Nuns) of Saskatoon. In 2018, an interfund transfer totaling \$500,000 was made from the general fund to the St. Marguerite D'Youville Endowment Fund to assist in sustaining the fund.

10. Related party transactions:

During the year, the Foundation contributed \$4,115,158 (2017 - \$3,114,968) 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, 2018

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, 2018, with comparative information for 2017

	Revenue	Direct Expenses	2018 Net	Revenue	Direct Expenses	2017 Net
Mistletoe Ball	\$ 178,950	\$ 68,139	\$ 110,811	\$ 189,766	\$ 72,450	\$ 117,316
Give and Grow radio event	99,251	20,604	78,647	-	-	-
Gift shop	239,865	239,201	664	226,282	213,280	13,002
Golf tournament	-	-	-	104,975	43,631	61,344
	\$ 518,066	\$ 327,944	\$ 190,122	\$ 521,023	\$ 329,361	\$ 191,662

ST. PAUL'S HOSPITAL FOUNDATION, INC.

Schedule of Fundraising Expenses

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

	2018	2017
Direct mail	\$ 70,280	\$ 61,033
Marketing	55,318	68,555
Third party events	15,051	13,143
Donor cultivation & recognition	31,867	29,442
Hospice Campaign	-	44,738
	\$ 172,516	\$ 216,911