

**THE ROMAN CATHOLIC ARCHBISHOP
OF VANCOUVER – SAINT JOHN
PAUL II PASTORAL CENTRE**

**Financial Statements
December 31, 2017**

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INDEPENDENT AUDITORS' REPORT

TO THE MOST REVEREND J. MICHAEL MILLER, CSB ARCHBISHOP OF VANCOUVER

We have audited the accompanying financial statements of the Saint John Paul II Pastoral Centre of The Roman Catholic Archbishop of Vancouver, which comprise the statement of financial position as at December 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and 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 the audit to obtain reasonable assurance about whether the 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 the auditors' 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, the auditor considers 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 qualified audit opinion.

Basis for Qualified Opinion

As explained in note 2(d), properties are not capitalized and amortized in accordance with Canadian accounting standards for not-for-profit organizations. It is not practicable to quantify the financial effects.

Qualified Opinion

In our opinion, except for the effect of the matter described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Saint Joint Paul II Pastoral Centre of The Roman Catholic Archbishop of Vancouver as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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Restrictions on Use

The financial statements are prepared to assist the Finance Council in evaluating the financial performance of the Saint John Paul II Pastoral Centre of The Roman Catholic Archbishop of Vancouver. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Finance Council and should not be used by other parties.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 14, 2018

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THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Statement of Financial Position
December 31

	2017	2016
		(note 17)
Assets		
Current		
Cash	\$ 5,261,994	\$ 6,154,466
Amounts receivable	3,687,188	2,813,945
Current portion of loan receivable from Notre Dame (note 3)	596,064	596,064
	9,545,246	9,564,475
Investments (notes 5 and 11)		
Unrestricted	36,755,845	36,652,325
Restricted	130,701,856	104,165,205
Pledged cash collateral (note 9)	0	29,024,683
	167,457,701	169,842,213
Loans Receivable from Parishes and Agencies (note 3)	34,399,661	5,910,451
Loan Receivable from Notre Dame (note 3)	5,624,082	6,002,284
Loan Receivable from Gardens of Gethsemani (note 4)	1,011,507	0
Mortgage Receivable (note 6(ii))	135,000	135,000
	41,170,250	12,047,735
	\$ 218,173,197	\$ 191,454,423
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 985,236	\$ 392,624
Deposits from Parishes and Agencies	122,829,182	96,239,039
National and Diocesan Collections payable	2,214,125	1,796,081
Parish Project Advance rebates payable (note 10)	1,143,290	1,120,748
Current portion of loans payable (note 11)	596,064	596,064
Deposits from sale of properties (note 15)	400,248	0
	128,168,145	100,144,556
Loans Payable (note 11)	5,624,082	6,002,284
	133,792,227	106,146,840
Net Assets		
Unrestricted	39,718,402	34,161,019
Internally Restricted for Specific Programs	36,789,894	43,220,398
Externally Restricted	7,872,674	7,926,166
	84,380,970	85,307,583
	\$ 218,173,197	\$ 191,454,423

Commitments and Contingencies (notes 8 and 12)

Approved by The Roman Catholic Archbishop of Vancouver:

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**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

Statement of Operations
Year Ended December 31

	2017	2016
		(note 17)
Revenues		
Diocesan assessments	\$ 4,306,924	\$ 4,280,302
Project Advance - general	950,000	950,000
	5,256,924	5,230,302
Expenditures		
Archdiocesan operating expenses (schedule 1)	6,770,646	6,335,854
Archdiocesan grants (schedule 2)	444,360	475,744
	7,215,006	6,811,598
Deficiency Before Other Items	(1,958,082)	(1,581,296)
Other Expenditures		
Clergy care	(119,109)	(69,640)
Legal costs	(96,542)	(60,403)
Consulting and audit	(62,371)	(62,499)
Provision for doubtful debts	0	(100,000)
	(278,022)	(292,542)
Other Revenues		
Interest and changes in fair market value of investments	6,955,890	6,023,114
Legacies, bequests and donations (note 7)	1,210,936	1,078,246
	8,166,826	7,101,360
Investment distribution	(6,605,788)	(5,550,747)
	1,561,038	1,550,613
Deficiency Before Property Transactions	(675,066)	(323,225)
Property Transactions (note 6)		
Income (expenditures)		
Property transactions and secondary school construction income (schedule 3)	6,041,825	24,381,319
Property transactions for Retreat Centre (schedule 3)	(7,529,079)	22,422,696
General property carrying costs	(176,832)	(107,740)
	(1,664,086)	46,696,275
Excess (Deficiency) of Revenues over Expenditures	(2,339,152)	46,373,050
Unrestricted Net Assets, Beginning of Year	34,161,019	9,820,160
Transfer to Internally Restricted Funds	(904,157)	(23,234,322)
Transfer from Internally Restricted Funds	8,800,692	1,202,131
Unrestricted Net Assets, End of Year	\$ 39,718,402	\$ 34,161,019

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Statement of Changes in Net Assets
Year Ended December 31

2017						
	Unrestricted			Internally Restricted		Total
	General	Sites (schedule 3)	Secondary School Construction (schedule 3)	General		
Balance, Beginning of Year	\$ 25,302,490	\$ (10,768,990)	\$ 19,627,519	\$ 43,220,398		\$ 77,381,417
Excess (Deficiency) of Revenues over Expenditures Internally Restricted Program	(8,380,977)	4,089,311	1,952,514	0		(2,339,152)
Transactions	0	0	0	1,466,031		1,466,031
Transfers to Internally Restricted Funds	(904,157)	0	0	904,157		0
Transfers from Internally Restricted Funds	8,800,692	0	0	(8,800,692)		0
Balance, End of Year	\$ 24,818,048	\$ (6,679,679)	\$ 21,580,033	\$ 36,789,894		\$ 76,508,296
2016						
	Unrestricted			Internally Restricted		Total
	General (note 17)	Sites (schedule 3)	Secondary School Construction (schedule 3)	General (note 17)		
Balance, Beginning of Year	\$ 25,342,950	\$ (11,645,742)	\$ (3,877,048)	\$ 20,602,150		\$ 30,422,310
Excess of Revenues over Expenditures Internally Restricted Program	21,991,731	876,752	23,504,567	0		46,373,050
Transactions	0	0	0	586,057		586,057
Transfers to Internally Restricted Funds	(23,234,322)	0	0	23,234,322		0
Transfers from Internally Restricted Funds	1,202,131	0	0	(1,202,131)		0
Balance, End of Year	\$ 25,302,490	\$ (10,768,990)	\$ 19,627,519	\$ 43,220,398		\$ 77,381,417

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Statement of Operations and Changes in Net Assets Internally Restricted for Specific Programs
Year Ended December 31

	Balance, December 31, 2016	Transfers from Unrestricted Net Assets	Program Transactions	Transfers to Unrestricted Net Assets	Balance, December 31, 2017
	(note 17)				
Retreat Centre	\$ 20,187,378	\$ 0	\$ 544,225	\$ (7,529,079)	\$ 13,202,524
Low-Interest Revolving Fund	8,424,825	0	134,996	0	8,559,821
Self-insurance	4,060,700	0	355,950	0	4,416,650
Evangelization	2,534,981	0	69,693	(193,981)	2,410,693
Clergy Care	2,029,985	0	65,331	(119,109)	1,976,207
Seminary and Vocations	1,372,723	339,723	132,329	(452,978)	1,391,797
Catholic Education 2000	1,341,342	0	38,111	(20,000)	1,359,453
St. Joseph's Clergy Residence	1,049,511	0	30,106	0	1,079,617
Archbishop Fundraising: St. John Vianney	729,398	323,107	(269,670)	0	782,835
Chapel	447,898	0	2,385	0	450,283
Archbishop Fundraising: Catholic Charities	355,620	0	(35,854)	0	319,766
Holy Rosary Cathedral Renovations	293,038	0	8,406	0	301,444
Continuing Education of Clergy	0	0	435,968	(245,337)	190,631
Special Events	156,064	0	(20,524)	0	135,540
Chaplaincies	90,365	3,143	2,635	0	96,143
Crozier Fund	0	100,000	(22,767)	0	77,233
Truth and Reconciliation	29,200	0	838	0	30,038
Deacon Formation	117,370	0	59,456	(167,607)	9,219
Youth Ministry	0	138,184	(65,583)	(72,601)	0
	\$ 43,220,398	\$ 904,157	\$ 1,466,031	\$ (8,800,692)	\$ 36,789,894

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Statement of Operations and Changes in Net Assets Externally Restricted
Year Ended December 31

	2017	2016
		(note 17)
Revenues	\$ 882,854	\$ 3,627,065
Expenditures	(936,346)	(555,104)
Excess of Revenues over Expenditures	(53,492)	3,071,961
Balance, Beginning of Year	7,926,166	4,854,205
Balance, End of Year	\$ 7,872,674	\$ 7,926,166

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

**Statement of Cash Flows
Year Ended December 31**

	2017	2016
		(note 17)
Operating Activities		
Excess (deficiency) of revenues over expenditures	\$ (2,339,152)	\$ 46,373,050
Internally restricted program transactions	1,466,031	(134,549)
Excess of revenues over expenditures - externally restricted	(53,492)	3,071,961
Property transactions	4,089,768	(44,410,296)
Items not involving cash		
Unrealized gain on investments	(277,943)	(2,124,667)
Accrued interest on loan to Gardens of Gethsemani	(11,507)	0
	2,873,705	2,775,499
Changes in non-cash working capital		
Amounts receivable	(873,243)	2,086,717
Interest accrued on investments	(337,698)	(349,375)
Accounts payable	992,860	(1,439,059)
Deposits from parishes and agencies	(1,752,189)	6,224,911
Collections payable	418,044	153,721
Parish Project Advance rebates payable	22,542	(31,409)
	(1,529,684)	6,645,506
Cash Provided by Operating Activities	1,344,021	9,421,005
Investing Activities		
Investments purchased	(117,279,238)	(180,730,171)
Investments redeemed	121,761,297	127,235,170
Proceeds from sale of buildings	6,685,166	45,130,902
Purchase of new properties	(10,774,934)	(720,606)
Repayments from Notre Dame	378,202	364,983
Loans to other parishes, net	(1,628,784)	988,720
Repayment from (loan to) Gardens of Gethsemani	(1,000,000)	315,000
Cash Used in Investing Activities	(1,858,291)	(7,416,002)
Financing Activity		
Repayments to loan payable	(378,202)	(364,983)
Inflow (Outflow) of Cash	(892,472)	1,640,020
Cash, Beginning of Year	6,154,466	4,514,446
Cash, End of Year	\$ 5,261,994	\$ 6,154,466

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER SAINT JOHN PAUL II PASTORAL CENTRE

Notes to Financial Statements
Year Ended December 31, 2017

1. NATURE OF OPERATIONS

The Roman Catholic Archbishop of Vancouver, the Corporate Sole, was incorporated by a special act of the BC Legislature on March 12, 1909 and amended on December 9, 1938 (the "Archdiocese"). The Archdiocese of Vancouver operates in the geographical area known as the Lower Mainland, and its activities include receiving deposits on behalf of parishes and agencies for purposes of earning investment income.

The Corporate Sole is a civil law statute for the holding and administering of real and personal property pertaining to the Archdiocese, including its parishes, and in accordance with its fiduciary obligations arising out of Canon Law.

The Archdiocesan accounts are maintained at the Pastoral Centre Office. This office directs all the non-parish administrative activities of the Archdiocese under the guidance and direction of the Archbishop of Vancouver. The Saint John Paul II Pastoral Centre is one such operation.

The Archdiocese is registered as a charitable organization and exempt from income taxes under section 149(1)(f) of the *Income Tax Act* (Canada). The Archdiocese issues charitable donation receipts for income tax purposes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Archdiocese were prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") except as disclosed in note 2(d) and include the following significant accounting policies.

(a) Basis of presentation

The statement of financial position and statement of operations reflect only the Saint John Paul II Pastoral Centre activities of the Archdiocese. These financial statements exclude the divisional accounts and activities of the following:

- The Catholic Independent Schools of the Vancouver Archdiocese
- Gardens of Gethsemani – the Archdiocesan cemetery operations
- Saint Joseph's Society
- Archdiocesan services and societies that receive pastoral grants. These include:
 - B.C. Catholic Newspaper
 - Catholic Charities

These financial statements do not consolidate the accounts of the 86 parishes within the Archdiocese (see note 10), which are related by the common control of The Roman Catholic Archbishop of Vancouver.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Net assets

(i) Unrestricted

This fund represents revenue from diocesan assessments, unrestricted general donations and investment gains (losses) used to cover the Archdiocese's operating and administration costs and assistance granted to certain parishes. The fund balance represents the accumulated net excess (deficiency) of revenue over expenditures from general operations and net of property transaction income (costs) and transfers from (to) internally restricted funds.

(ii) Internally restricted

These are funds specifically set aside to cover costs for specific programs.

(iii) Externally restricted

These are funds received from donors that have specific restrictions. Any principal or interest earned from these amounts is to be used for specific programs.

Transfers between unrestricted and internally restricted funds exist for the purpose of funding general expenditures to operate the Archdiocese.

(c) Revenue recognition

The Saint John Paul II Pastoral Centre follows the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue in the year the contribution is received. Unrestricted contributions are recognized in the general fund as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Diocesan assessments are comprised of parish assessments and assessment on the normal operations of the Catholic Cemeteries of the Archdiocese of Vancouver (the "Catholic Cemeteries"). Parish assessments are based on 13.8% (2016 - 13.8%) of the parishes' reported income of normal Sunday collections from the previous year. The assessment to normal operations of the Catholic Cemeteries are based on 12% (2016 - 11%) of gross revenues earned from the year preceding the prior year.

These financial statements do not report as revenue funds collected on behalf of parishes that are subsequently disbursed to various intended recipients for which the collections are made.

(d) Properties

Properties, furniture and equipment are not capitalized or amortized in accordance with ASNPO. All expenditures for purchases and carrying costs of property assets less any rentals or sale proceeds are charged to operations as current year costs, except for financed acquisitions. There are no financed acquisitions as at year-end.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Properties (Continued)

No amortization has been recorded in the statement of operations, as capital expenditures are fully expensed in the year incurred.

In addition, properties have not been presented in accordance with ASNPO, as they have not been separated between land and building.

(e) Interest income

Interest income on all investments is recorded on an accrual basis. Accrued interest is included in the cost of the investments.

(f) Financial instruments

The Archdiocese initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Archdiocese subsequently measures all its financial assets and financial liabilities at amortized cost, except for any investments in equity instruments and fixed income investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess (deficiency) of revenues over expenditures.

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down would be recognized in excess (deficiency) of revenues over expenditures. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in excess (deficiency) of revenues over expenditures provided it is not greater than the original amount prior to write-down.

(g) Use of estimates

The preparation of the Saint John Paul II Pastoral Centre's financial statements in conformity with ASNPO may require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Significant areas requiring the use of estimates relate to the accrual of payables and the collectability of accounts receivables, loans receivable and mortgage receivable. Management believes these estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

Notes to Financial Statements
Year Ended December 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Foreign currency translation

Foreign currency transactions and balances are translated into Canadian dollars as follows:

- (i) Monetary assets and liabilities at the rate of exchange in effect as at the statement of financial position date; and
- (ii) Revenues and expenditures at the rate of exchange on the transaction date.

Gains and losses arising from the translation of foreign currency are recorded in the statement of operations for unrestricted net assets for the year.

3. LOANS RECEIVABLE

	2017	2016
Notre Dame	\$ 6,220,146	\$ 6,598,348
Current portion from Notre Dame	(596,064)	(596,064)
	<u>5,624,082</u>	<u>6,002,284</u>
Parishes	33,276,786	4,792,772
Agencies	1,122,875	1,117,679
	<u>34,399,661</u>	<u>5,910,451</u>
	<u>\$ 40,023,743</u>	<u>\$ 11,912,735</u>

The loan from Notre Dame bears interest at 3.39% and has set repayment terms that match the bank loan, as stated in note 11.

Interest earned from loans from parishes during the year totaled \$96,710 (2016 - \$73,128). These loans bear interest at the chancery deposit rates of 2.00% for January to June 2017 and 3.00% for July to December 2017 (2016 - 1.00% and 2.00%).

Interest earned from loans from agencies during the year totaled \$31,150 (2016 - \$29,386). These loans have no set repayment terms and bear interest at bank prime. The weighted average bank prime during the year was 2.90% (2016 - 2.70%).

4. AMOUNTS RECEIVABLE FROM GARDENS OF GETHSEMANI

During the year, the Archdiocese granted Gardens of Gethsemani a loan amounting to \$5,710,000, of which \$1,000,000 was disbursed to Gardens of Gethsemani during 2017. The loan is unsecured and repayable over 12 years at 3.75% interest per annum. Repayment of the loan will begin upon completion of the Phase 1 project of Gardens of Gethsemani. Included in the year-end balance is accrued interest of \$11,507.

At year-end, the Archdiocese accrued a receivable of \$540,113 from Gardens of Gethsemani for the Diocesan Assessment for the years 2014, 2015 and 2017.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2017

5. INVESTMENTS

Unrestricted

These investments are for the general operations of the Archdiocese.

Restricted

These investments have been set aside to fully collateralize the deposits received from parishes and agencies and net assets that are externally restricted.

(a) Investments are classified as follows:

	2017	2016
Accrued interest	\$ 149,584	\$ 349,375
At fair value		
Restricted	130,585,104	103,906,766
Unrestricted	36,723,013	36,561,389
Pledged collateral	0	29,024,683
	167,308,117	169,492,838
	\$ 167,457,701	\$ 169,842,213

(b) Investments are represented as follows:

	2017	2016
Accrued interest	\$ 149,584	\$ 349,375
At fair value		
Fixed income investments	67,773,916	34,848,327
Common shares	41,889,783	25,657,343
Mutual funds	30,900,503	27,005,267
Guaranteed investment certificates	11,699,985	49,039,624
Preferred shares	10,073,134	0
Government and government-backed securities	4,490,844	3,917,594
Foreign securities	479,952	0
Cash held as collateral	0	29,024,683
	167,308,117	169,492,838
	\$ 167,457,701	\$ 169,842,213

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

**Notes to Financial Statements
Year Ended December 31, 2017**

5. INVESTMENTS (Continued)

(b) (Continued)

Government and government-backed securities and banker's acceptance notes bear fixed interest yields ranging from 1.63% to 4.50% (2016 - 2.00% to 4.50%).

Included in fixed income investments are a banker's collateral account bearing interest at bank prime rate (2016 - bank prime rate).

Guaranteed investment certificates bear interest at rates ranging from 1.01% to 2.06% (2016 - 0.95% to 2.43%).

6. PROPERTIES

The Archdiocese holds an equitable interest in land resulting from the sale of a property (Catholic Pacific College) for \$742,000 consisting of:

- (i) \$250,000 in cash proceeds received during 2011;
- (ii) \$135,000 in mortgage receivable, repayable over ten years without stated terms of repayment or interest, secured against the title of the property; and
- (iii) \$357,000 equitable interest on the land. Equitable interest was forgiven during the 2016 fiscal year.

7. LEGACIES, BEQUESTS AND DONATIONS

All legacies, bequests and donations are included as revenue when received.

8. CONTINGENCIES

Contingent liabilities

The Archdiocese has been named as a defendant in claims seeking unspecified damages. It is not possible at this time to predict with any certainty the outcome of the claims.

Contingent assets

The Archdiocese has been designated owner/beneficiary of one unfunded term life insurance policy. The proceeds will be receivable on the death of the insured.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

Notes to Financial Statements
Year Ended December 31, 2017

9. GUARANTEES

The Archdiocese is the guarantor to its bankers for:

	2017	2016
Letters of credit issued	\$ 331,604	\$ 403,604
Parish bank loans	0	31,257,539
	331,604	31,661,143
Pledged collateral security	0	(29,024,683)
	\$ 331,604	\$ 2,636,460

During 2016, pledged collateral security consisted of cash held by the Archdiocese at two major Canadian financial institutions.

As at year-end, there were \$nil parish bank loans in which the Archdiocese was a guarantor.

10. RELATED PARTY TRANSACTIONS

The Saint John Paul II Pastoral Centre had the following transactions with the 86 parishes, Notre Dame and Gardens of Gethsemani, within the Archdiocese. The parishes, Notre Dame and Gardens of Gethsemani are related by common control of The Roman Catholic Archbishop of Vancouver, the Corporate Sole.

These transactions are within the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2017	2016
Payments received from parishes		
Project Advance collections	\$ 7,326,196	\$ 7,662,312
Diocesan assessments	4,306,924	4,280,302
Special collections	2,078,005	2,034,662
Insurance premiums assessed	1,870,762	1,814,444
Interest earned from loans	96,710	102,514
	\$ 15,678,597	\$ 15,894,234
Payments made to parishes		
Project Advance rebates	\$ 2,826,083	\$ 3,201,738
Interest paid on deposit accounts	2,647,989	769,027
Low-interest revolving fund interest paid	106,681	78,268
Youth ministry rebates	39,185	59,531
	\$ 5,619,938	\$ 4,108,564

In addition to the Project Advance rebates paid during the year, \$1,143,290 (2016 - \$1,120,748) were still payable as at year-end and are included in Parish Project Advance rebates payable.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

Notes to Financial Statements
Year Ended December 31, 2017

10. RELATED PARTY TRANSACTIONS (Continued)

Deposits from parishes and agencies represent funds received for purposes of earning investment income and are repayable upon demand. The effective interest rate of the deposits ranges from 1.82% to 1.89% for January to June 2017 and 1.90% to 1.92% for July to December 2017 (2016 – 2.03% to 2.07% and 3.14% to 3.19%, respectively).

11. LOANS PAYABLE

	2017	2016
Bank loan – Notre Dame	\$ 6,220,146	\$ 6,598,348
Less: Current portion	596,064	596,064
	\$ 5,624,082	\$ 6,002,284

The above bank loan consists of a non-revolving credit facility of up to \$7,000,000 (2016 - \$7,000,000) repayable at \$49,672 per month, including interest at 3.39%, maturing October 21, 2022 and is secured by the investment portfolio held with the lender.

Bank loan principal repayments to be made during the next five years and thereafter are as follows:

2018	\$ 596,064
2019	596,064
2020	596,064
2021	596,064
2022	596,064
2023 and thereafter	3,239,826
	\$ 6,220,146

12. COMMITMENTS

The Archdiocese is committed to funding the operations and theological education of St. Mark's College and Corpus Christi College, aggregating \$1,000,000 expiring in 2020, and to funding Vancouver College in support for its campaign in building its new facilities, aggregating \$60,000 expiring in 2019. Commitments in each of the next three years are as follows:

2018	\$ 320,000
2019	295,000
2020	225,000
	\$ 840,000

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

**Notes to Financial Statements
Year Ended December 31, 2017**

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Archdiocese manages its investments in accordance with defined guidelines as to acceptable debt instruments and acceptable terms and conditions. Management is responsible for monitoring performance and recommending changes. The College of Consultors and Archdiocesan Finance Council are responsible for the governance and strategic direction of the investment portfolio.

(a) Liquidity risk

Liquidity risk is the risk that the Archdiocese will encounter difficulty in meeting obligations associated with financial liabilities. The Archdiocese is exposed to liquidity risk with regard to accounts payable and accrued liabilities, deposits with parishes and agencies, collections payable, parish project advance rebates payable and loans payable. Cash flows from operations and sale of properties provides a substantial portion of the Saint John Paul II Pastoral Centre's cash requirements.

(b) Credit risk

Credit risk related to financial instruments arises from the possibility the counterparty to an instrument may fail to discharge its obligation to the Archdiocese. The Archdiocese's investments and cash are subject to credit risk and the maximum exposure to credit risk on these instruments is their carrying value. The Archdiocese manages this risk by holding its investments and cash with major financial institutions. The Archdiocese does not anticipate that any counterparties will fail to meet their obligations.

The Archdiocese believes that credit risk in accounts receivable and loans to parishes and other agencies, including Notre Dame and Gardens of Gethsemani, are minimal as they are under common control of the Corporate Sole.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Archdiocese is exposed to interest rate risk on its investment portfolio through its fixed income instruments. Investments are made with different maturity terms ranging from 30 days to 10 years to level out the changes of the market rates. The Archdiocese is exposed to interest cash flow risk on its variable securities, loans receivable and loans payable.

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As at December 31, 2017, the Archdiocese holds US cash of \$492,657 (2016 - \$786,931) and US dollar denominated investments of \$23,075,650 (2016 - \$17,746,467) at their Canadian dollar equivalent.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2017

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(e) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Archdiocese is subject to other price risk through its publicly traded instruments and fixed income investments recorded at fair value.

14. PENSION PLAN

The Archdiocese contributes to a defined contribution pension plan on behalf of its current employees, excluding clergy. This plan is available to all permanent and permanent part-time employees immediately upon hiring.

The Archdiocese matches employee contributions. The employee has an option of selecting a 3% or 7% contribution of their salary. Employees are entitled to full vesting of their employee and employer contributions and investment earnings immediately after membership in the plan. The 2017 employer's contributions were \$229,862 (2016 - \$228,315).

15. SUBSEQUENT EVENTS

During the year, the Archdiocese entered into Sale and Purchase Agreements for the sale of six properties for a total of approximately \$10,150,000. As at year-end, the Archdiocese received deposits of approximately \$400,000 relating to the sales.

The sale of all six properties completed in March 2018 and full payment was received by the Archdiocese.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

Notes to Financial Statements
Year Ended December 31, 2017

17. PRIOR PERIOD ADJUSTMENT / RECLASSIFICATION

During the year, the Archdiocese determined certain balances and transactions in fiscal 2016 that have to be adjusted and/or reclassified as follows:

- (a) The Clergy Retirement: Sisters of Precious Blood fund was previously recorded within internally restricted for specific programs on the statement of financial position. It has been determined that the fund should be presented as an externally restricted fund on the statement of financial position. This also impacts unrestricted and restricted investment balances;
- (b) A parish withdrawal was previously recorded as an advance of a new loan. It has been determined that the withdrawal should have been recognized as a reduction in the parish deposit balance on the statement of financial position and has therefore been reclassified. This also impacts unrestricted and restricted investment balances;
- (c) The unrestricted and restricted investments were reclassified as a result of the above changes; and
- (d) There were certain income and expenses that were previously presented in the statement of operations. It has been determined that these transactions should be reclassified and directly recognized within the internally restricted funds.

The effect on the December 31, 2016 financial statements is as follows:

	As Previously Reported	Adjustment / Reclassification	Revised
<i>Statement of Financial Position</i>			
Net Assets Internally Restricted for Specific Programs	\$ 46,072,678	\$ (2,852,280)	\$ 43,220,398
Net Assets Externally Restricted	\$ 5,073,886	\$ 2,852,280	\$ 7,926,166
Loan Receivable from Parishes and Agencies	\$ 7,010,451	\$ (1,100,000)	\$ 5,910,451
Deposits from Parishes and Agencies	\$ 97,339,039	\$ (1,100,000)	\$ 96,239,039
Unrestricted Investments	\$ 38,404,605	\$ (1,752,280)	\$ 36,652,325
Restricted Investments	\$ 102,412,925	\$ 1,752,280	\$ 104,165,205
<i>Statement of Operations</i>			
Surplus (Deficiency) Before Property Transactions	\$ 4,237,841	\$ (4,561,066)	\$ (323,225)
Transfer to Internally Restricted Funds	\$ (27,795,388)	\$ 4,561,066	\$ (23,234,322)

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Archdiocesan Operating Expenses
Year Ended December 31

Schedule 1

	2017	2016
Apostleship of the Sea	\$ 47,885	\$ 53,340
Archbishop's Office	270,172	250,145
Archdiocesan Operations	317,585	202,164
Archives	107,006	103,654
B.C. Catholic	(1,539)	(23,131)
Catechetics	324,702	303,421
Chaplaincies	355,579	341,870
Chancellor's Office	320,503	319,091
Communications	362,774	194,036
Continuing Education of Clergy	245,337	216,779
Deacon Formation	167,607	135,509
Delegate for Administration	217,137	227,662
Development	270,163	256,414
Ecumenism and Inter Faith	49,618	55,600
Evangelization	193,981	72,182
Facilities Management	134,039	207,030
Finance	429,318	399,200
First Nations	51,794	55,321
Foreign Missions	116,472	123,245
Human Resources	142,694	136,706
Information Technology	263,277	223,038
Internal Audit	118,967	117,457
Life, Marriage and Family	597,300	564,331
Matrimonial Tribunal	425,558	371,189
Property and Infrastructure	168,679	115,460
Redemptoris Mater Seminary	131,402	144,754
Safe Environment	69,834	71,247
Seminary and Vocations	321,795	472,822
Service and Justice	108,979	158,195
Stewardship	63,883	44,319
Vanspec	32,438	51,167
Vicar's General Office	32,171	53,699
Youth and Young Adult	313,536	317,938
	\$ 6,770,646	\$ 6,335,854

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE**

Schedule 2

**Archdiocesan Grants
Year Ended December 31**

	2017	2016
St. Mark's College and Corpus Christi College	\$ 226,360	\$ 300,000
Project Advance Grants	100,000	100,000
St. Agnes Kim	50,000	0
Catholic Health Association of B.C.	40,000	40,000
Vancouver College	20,000	20,000
Holy Trinity	8,000	0
Holy Rosary	0	15,744
	\$ 444,360	\$ 475,744

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Property Acquisitions/Dispositions and Secondary School Construction
Year Ended December 31

Schedule 3

2017				
	Sites Acquisitions/ Dispositions	Secondary School Construction	Unrestricted	Total
Proceeds from sale of properties ¹	\$ 6,685,166	\$ 0	\$ 0	\$ 6,685,166
Purchase of property ²	(3,245,855)	0	(7,529,079)	(10,774,934)
Interest earned	0	552,514	0	552,514
Project Advance	650,000	1,400,000	0	2,050,000
	\$ 4,089,311	\$ 1,952,514	\$ (7,529,079)	\$ (1,487,254)

¹ Proceeds from sale of properties were received from:

- Sale of 691 West 33 Avenue for \$4,410,967;
- Sale of a portion of 9360 No. 5 Road for \$285,000; and
- Charges to St. Andrew Kim Parish for 50% of land costs and carrying costs of \$1,989,198.

² Represents purchase of:

- 3746 Quebec Street in Vancouver for \$3,245,855; and
- 29360 Townshipline Road in Abbotsford for \$7,529,079 for a new Retreat Centre.

2016				
	Sites Acquisitions/ Dispositions	Secondary School Construction	Unrestricted	Total
Proceeds from sale of properties ¹	\$ 947,358	\$ 22,104,567	\$ 22,422,696	\$ 45,474,621
Purchase of property ²	(720,606)	0	0	(720,606)
Project Advance	650,000	1,400,000	0	2,050,000
	\$ 876,752	\$ 23,504,567	\$ 22,422,696	\$ 46,804,015

¹ Proceeds from sale of properties were received from the sale of Rosemary Heights Retreat Centre and the sale of property on Bowen Island

Sale of Rosemary Heights Retreat Centre:

- \$22,000,000 (plus interest earned on fund of \$104,567) for Secondary School Construction
- \$2,000,000 allocated to Pastoral Ministry
- \$20,422,696 allocated to new Retreat Centre

Sale of Bowen Island property

- \$947,358

² Represents purchase of 3123 Shaughnessy Street in Port Coquitlam.