

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

**Financial Statements
December 31, 2018**

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INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the financial statements of John Paul II Pastoral Centre of the Roman Catholic Archbishop of Vancouver (the "Archdiocese"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Archdiocese as at December 31, 2018 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.

Basis for Qualified Opinion

As explained in note 2(d), all expenditures for purchases of property and equipment are charged as current year costs in the statement of operations. Property and equipment are not capitalized and amortized over their useful life. The policy adopted by the Archdiocese constitutes a departure from Canadian accounting standards for not-for-profit organizations. It is not practicable to quantify the effects of this departure on the excess of revenues over expenditures, and the cash flows from operations and investing activities for the years ended December 31, 2018 and 2017 and property and equipment and total assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years.

Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of the departure from Canadian accounting standards for not-for-profit organizations.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Archdiocese 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 qualified audit 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 organization, 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 Archdiocese'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 Archdiocese or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Archdiocese'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 these 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 Archdiocese'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 Archdiocese's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Archdiocese 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.

We 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.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
April 25, 2019

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

	2018	2017
Assets		
Current		
Cash	\$ 8,966,009	\$ 5,261,994
Amounts receivable	3,981,861	3,647,245
Prepaid	169,304	39,943
Current portion of loans receivable from Notre Dame (note 5)	596,064	596,064
	13,713,238	9,545,246
Investments (notes 4)		
Unrestricted	43,233,910	36,755,845
Restricted	129,886,098	130,701,856
	173,120,008	167,457,701
Loans Receivable from Parishes and Agencies (note 5)	33,163,550	34,399,661
Loan Receivable from Notre Dame (note 5)	5,232,862	5,624,082
Loan Receivable from Gardens of Gethsemani (note 6)	3,574,788	1,011,507
Mortgage Receivable (note 7(ii))	135,000	135,000
	42,106,200	41,170,250
	\$ 228,939,446	\$ 218,173,197
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 4,484,024	\$ 985,236
Deposits from Parishes and Agencies (note 9)	121,939,884	122,829,182
National and Diocesan Collections payable	2,108,452	2,214,125
Parish Project Advance rebates payable (note 9)	1,199,474	1,143,290
Current portion of loans payable (note 8)	596,064	596,064
Deposits held from sale of properties	0	400,248
	130,327,898	128,168,145
Loans Payable (note 8)	5,232,862	5,624,082
	135,560,760	133,792,227
Net Assets		
Unrestricted	48,688,220	39,718,402
Internally Restricted for Specific Programs	36,744,252	36,789,894
Externally Restricted	7,946,214	7,872,674
	93,378,686	84,380,970
	\$ 228,939,446	\$ 218,173,197

Commitments and Contingencies (notes 11 and 12)

Approved by The Roman Catholic Archbishop of Vancouver:

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Statement of Operations
Year Ended December 31

	2018	2017
Revenues		
Diocesan assessments (note 9)	\$ 4,715,943	\$ 4,306,924
Project Advance - general	950,000	950,000
	<u>5,665,943</u>	<u>5,256,924</u>
Expenditures		
Archdiocesan operating expenses (schedule 1)	7,090,283	6,770,646
Archdiocesan grants (schedule 2)	690,602	444,360
	<u>7,780,885</u>	<u>7,215,006</u>
Deficiency Before Other Items	<u>(2,114,942)</u>	<u>(1,958,082)</u>
Other Expenditures		
Audit	72,100	62,371
Clergy care	113,575	119,109
Consulting	71,010	0
Legal costs	74,360	96,542
	<u>(331,045)</u>	<u>(278,022)</u>
Other Revenues		
Interest and changes in fair market value of investments	4,615,923	5,314,564
Legacies, bequests and donations	1,376,681	1,210,936
	<u>5,992,604</u>	<u>6,525,500</u>
Investment income distribution	<u>(3,485,741)</u>	<u>(4,964,462)</u>
	<u>2,506,863</u>	<u>1,561,038</u>
Excess (Deficiency) of Revenue over Expenditures Before Property Transactions	<u>60,876</u>	<u>(675,066)</u>
Property Transactions (note 2(d))		
Income (expenditures)		
Net property transactions and secondary school construction income (schedule 3)	8,142,363	6,041,825
Property transactions for Retreat Centre (schedule 3)	(103,689)	(7,529,079)
General property carrying costs	(181,958)	(176,832)
	<u>7,856,716</u>	<u>(1,664,086)</u>
Excess (Deficiency) of Revenues over Expenditures Unrestricted Net Assets, Beginning of Year	<u>7,917,592</u>	<u>(2,339,152)</u>
Transfer to Internally Restricted Funds	(786,658)	(904,157)
Transfer from Internally Restricted Funds	<u>1,838,884</u>	<u>8,800,692</u>
	<u>\$ 48,688,220</u>	<u>\$ 39,718,402</u>

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

2018						
Unrestricted			Internally Restricted			
General	Sites (schedule 3)	Secondary School Construction (schedule 3)	General	Total		
Balance, Beginning of Year	\$ 24,818,048	\$ (6,679,679)	\$ 21,580,033	\$ 36,789,894		\$ 76,508,296
Excess (Deficiency) of Revenues over Expenditures Internally Restricted Program	(224,771)	10,492,363	(2,350,000)	0		7,917,592
Transactions	0	0	0	1,006,584		1,006,584
Transfers to Internally Restricted Funds	(786,658)	0	0	786,658		0
Transfers from Internally Restricted Funds	1,838,884	0	0	(1,838,884)		0
Balance, End of Year	\$ 25,645,503	\$ 3,812,684	\$ 19,230,033	\$ 36,744,252		\$ 85,432,472
2017						
Unrestricted			Internally Restricted			
General	Sites (schedule 3)	Secondary School Construction (schedule 3)	General	Total		
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

See notes to financial statements.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
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, 2017	Transfers from Unrestricted Net Assets	Program Transactions	Transfers to Unrestricted Net Assets	Balance, December 31, 2018
Retreat Centre	\$ 13,202,524	\$ 0	\$ 252,694	\$ (131,458)	\$ 13,323,760
Low-Interest Revolving Fund	8,559,821	0	24,467	0	8,584,288
Self-insurance	4,416,650	0	91,038	(572,402)	3,935,286
Evangelization	2,410,693	0	42,864	(64,785)	2,388,772
Clergy Care	1,976,207	0	63,201	(113,575)	1,925,833
Catholic Education 2000	1,359,453	0	24,360	(142,794)	1,241,019
St. Joseph's Clergy Residence	1,079,617	0	19,464	0	1,099,081
Archbishop Fundraising: St. John Vianney	782,835	286,983	14,186	0	1,084,004
Seminary and Vocations	1,391,797	0	278,501	(704,398)	965,900
Chapel	450,283	0	(6,494)	0	443,789
Deacon Formation	9,219	417,175	96,167	(109,472)	413,089
Archbishop Fundraising: Catholic Charities	319,766	0	7,054	0	326,820
Holy Rosary Cathedral Renovations	301,444	0	5,435	0	306,879
Continuing Education of Clergy	190,631	82,500	(1,627)	0	271,504
Special Events	135,540	0	(2,629)	0	132,911
Youth Ministry	0	0	101,450	0	101,450
Chaplaincies	96,143	0	4,568	0	100,711
Crozier Fund	77,233	0	(8,657)	0	68,576
Truth and Reconciliation	30,038	0	542	0	30,580
	\$ 36,789,894	\$ 786,658	\$ 1,006,584	\$ (1,838,884)	\$ 36,744,252

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

	2018	2017
Revenues	\$ 638,544	\$ 882,854
Expenditures	(565,004)	(936,346)
Excess (Deficiency) of Revenues over Expenditures	73,540	(53,492)
Balance, Beginning of Year	7,872,674	7,926,166
Balance, End of Year	\$ 7,946,214	\$ 7,872,674

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Statement of Cash Flows
Year Ended December 31

	2018	2017
Operating Activities		
Excess (deficiency) of revenues over expenditures	\$ 7,917,592	\$ (2,339,152)
Internally restricted program transactions	1,006,584	1,466,031
Excess (deficiency) of revenues over expenditures - externally restricted	73,540	(53,492)
Property transactions	(9,738,674)	4,089,768
Items not involving cash		
Unrealized (gain) loss on investments	(2,827,559)	1,461,529
Accrued interest on loan to Gardens of Gethsemani	(63,281)	(11,507)
	(3,631,798)	4,613,177
Changes in non-cash working capital		
Amounts receivable	(334,616)	(833,300)
Prepaid	(129,361)	(39,943)
Interest accrued on investments	(881,816)	(337,698)
Accounts payable	3,098,540	992,860
Deposits from parishes and agencies	1,840,115	(1,752,189)
Collections payable	(105,673)	418,044
Parish Project Advance rebates payable	56,184	22,542
	3,543,373	(1,529,684)
Cash Provided by (Used in) Operating Activities	(88,425)	3,083,493
Investing Activities		
Investments purchased	(323,456,355)	(119,018,710)
Investments redeemed	318,774,010	121,761,297
Proceeds from sale of properties	9,842,363	6,685,166
Purchase of new properties	(103,689)	(10,774,934)
Repayments from Notre Dame	391,220	378,202
Loans to other parishes, net	1,236,111	(1,628,784)
Loan to Gardens of Gethsemani	(2,500,000)	(1,000,000)
Cash Provided by (Used in) Investing Activities	4,183,660	(3,597,763)
Financing Activity		
Repayments to loan payable	(391,220)	(378,202)
Inflow (Outflow) of Cash	3,704,015	(892,472)
Cash, Beginning of Year	5,261,994	6,154,466
Cash, End of Year	\$ 8,966,009	\$ 5,261,994

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

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 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 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, St. Peter's Cemetery and St. Mary's Cemetery – 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 78 parishes within the Archdiocese (see note 9), which are related by the common control of The Roman Catholic Archbishop of Vancouver.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

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 and to assist in the operations of specific programs organized by the Archdiocese.

(c) Revenue recognition

The 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 14.7% (2017 - 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 14.7% (2017 - 12%) 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.

Revenue from sale of properties is recognized upon the closing of the transaction and when the amount to be received can be reasonably measured and collection is reasonably assured.

Interest income on all investments is recorded on an accrual basis. Accrued interest is included in the cost of the investments. All legacies, bequests and donations are included as revenue when received.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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

(e) 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.

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. These transaction costs are amortized into income on a straight-line basis over the term of the instrument. All other transaction costs are recognized in net income in the period incurred.

(f) Use of estimates

The preparation of the 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
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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 balances are recorded in the statement of operations for unrestricted net assets for the year.

3. 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 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 holdings 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.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

(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, 2018, the Archdiocese holds US cash of \$1,399,581 (2017 - \$492,657) and US dollar denominated investments of \$32,717,735 (2017 - \$23,075,650) at their Canadian dollar equivalent.

(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.

4. 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:

	2018	2017
Accrued interest	\$ 789,912	\$ 149,584
At fair value		
Restricted	129,293,454	130,585,104
Unrestricted	43,036,642	36,723,013
	172,330,096	167,308,117
	\$ 173,120,008	\$ 167,457,701

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

4. INVESTMENTS (Continued)

(b) Investments are represented as follows:

	2018	2017
Accrued interest	\$ 789,912	\$ 149,584
At fair value		
Fixed income investments	85,540,209	67,773,916
Common shares	50,029,937	41,889,783
Mutual funds	11,854,486	30,900,503
Guaranteed investment certificates	11,836,801	11,699,985
Preferred shares	9,498,441	10,073,134
Government and government-backed securities	3,123,191	4,490,844
Foreign securities	447,031	479,952
	172,330,096	167,308,117
	\$ 173,120,008	\$ 167,457,701

Government and government-backed securities and banker's acceptance notes bear fixed interest yields ranging from 2.45% to 4.50% (2017 – 1.63% to 4.50%).

Guaranteed investment certificates bear interest at rates ranging from 2.35% to 3.21% (2017 - 1.01% to 2.06%).

5. LOANS RECEIVABLE

	2018	2017
Notre Dame	\$ 5,828,926	\$ 6,220,146
Current portion from Notre Dame	(596,064)	(596,064)
	5,232,862	5,624,082
Parishes	32,029,727	33,276,786
Agencies	1,133,823	1,122,875
	33,163,550	34,399,661
	\$ 38,396,412	\$ 40,023,743

The loan from Notre Dame bears interest at 3.39% and has set repayment terms that match the bank loan, as stated in note 8.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

5. LOANS RECEIVABLE (Continued)

Interest earned from loans from parishes during the year totaled \$178,624 (2017 - \$96,710). These loans bear interest at the chancery deposit rates of 2.10% for January to June 2018 and 2.00% for July to December 2018 (2017 - 2.00% and 3.00%).

Interest earned from loans from agencies during the year totaled \$43,084 (2017 - \$31,150). These loans have no set repayment terms and bear interest at bank prime. The weighted average bank prime during the year was 3.60% (2017 - 2.90%).

6. AMOUNTS RECEIVABLE FROM GARDENS OF GETHSEMANI

During the year, the Archdiocese disbursed \$2,500,000 (2017 - \$1,000,000) to Gardens of Gethsemani. 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 \$63,281 (2017 - \$11,507).

	2018	2017
Opening balance	\$ 1,011,507	\$ 0
Disbursement	2,500,000	1,000,000
	3,511,507	1,000,000
Accrued interest	63,281	11,507
	\$ 3,574,788	\$ 1,011,507

At year-end, included in amounts receivable is \$597,057 (2017 - \$540,113) due from Gardens of Gethsemani for the Diocesan Assessment.

7. 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.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

8. LOANS PAYABLE

	2018	2017
Bank loan – Notre Dame	\$ 5,828,926	\$ 6,220,146
Less: Current portion	596,064	596,064
	\$ 5,232,862	\$ 5,624,082

The above bank loan consists of a non-revolving credit facility of up to \$7,000,000 (2017 - \$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 four years and thereafter are as follows:

2019	\$ 596,064
2020	596,064
2021	596,064
2022 and thereafter	4,040,734
	\$ 5,828,926

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

9. RELATED PARTY TRANSACTIONS

The John Paul II Pastoral Centre had the following transactions with the 78 parishes within the Archdiocese and Gardens of Gethsemani. The parishes 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.

	2018	2017
Payments received from:		
Parishes		
Project Advance collections	\$ 7,469,393	\$ 7,326,196
Diocesan assessments	4,172,773	3,785,999
Special collections	2,112,383	2,078,005
Insurance premiums assessed	1,689,265	1,870,762
Interest earned from loans	178,624	96,710
Gardens of Gethsemani		
Diocesan assessment (accrued)	543,170	520,925
Interest earned from loans (accrued)	63,281	11,507
	\$ 16,228,889	\$ 15,690,104
Payments made to:		
Parishes		
Project Advance rebates	\$ 2,660,094	\$ 2,826,083
Interest paid on deposit accounts	1,971,203	2,647,989
Low-interest revolving fund interest paid	129,577	106,681
Youth ministry rebates	58,907	39,185
	\$ 4,819,781	\$ 5,619,938

In addition to the Project Advance rebates paid during the year, \$1,199,474 (2017 - \$1,143,290) were still payable as at year-end and are included in Parish Project Advance rebates payable.

Deposits from parishes and agencies totaling \$121,939,884 (2017 - \$122,829,182) represent funds received for purposes of earning investment income and are repayable upon demand. The effective interest rate of the deposits ranges from 2.08% to 3.07% for January to June 2018 and 1.98% to 2.09% for July to December 2018 (2017 - 1.82% to 1.89% and 1.90% to 1.92%, respectively).

10. GUARANTEES

The Archdiocese is the guarantor to its bankers for letters of credit issued in the amount of \$275,827 (2017 - \$331,604).

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2018

11. CONTINGENCIES

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.

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.

12. COMMITMENTS

In 2016, the Archdiocese 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. The remaining commitments in each of the next two years are as follows:

2019	\$	295,000
2020		225,000
	\$	520,000

13. 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 2018 employer's contributions were \$246,180 (2017 - \$229,862).

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

Schedule 1

	2018	2017
Apostleship of the Sea	\$ 43,650	\$ 47,885
Archbishop's Office	231,594	270,172
Archdiocesan Operations	474,376	317,585
Archives	94,099	107,006
B.C. Catholic	(62,788)	(1,539)
Chaplaincies	298,223	355,579
Chancellor's Office	294,118	320,503
Communications	353,153	362,774
Continuing Education of Clergy	366,588	245,337
Deacon Formation	109,472	167,607
Delegate for Administration	191,025	217,137
Development	261,629	270,163
Facilities Management	492,487	134,039
Finance	663,866	429,318
Foreign Missions	271,772	116,472
Human Resources	139,498	142,694
Information Technology	198,716	263,277
Internal Audit	116,682	118,967
Matrimonial Tribunal	327,320	425,558
Ministries and Outreach	1,457,133	1,736,231
Property and Infrastructure	217,647	168,679
Redemptoris Mater Seminary	100,000	131,402
Safe Environment	73,269	69,834
Seminary and Vocations	349,014	321,795
Vicar's General Office	27,740	32,171
	\$ 7,090,283	\$ 6,770,646

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

Schedule 2

	2018	2017
St. Mark's College and Corpus Christi College	\$ 300,000	\$ 226,360
Saint John Paul II Academy	122,794	0
Project Advance Grants	100,000	100,000
Holy Trinity Parish	98,042	8,000
Catholic Health Association of B.C.	40,000	40,000
Vancouver College	20,000	20,000
Roman Catholic Diocese of Whitehorse	9,766	0
St. Agnes Kim Parish	0	50,000
	\$ 690,602	\$ 444,360

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

Schedule 3

	2018			
	Sites Acquisitions/ Dispositions	Secondary School Construction	Unrestricted	Total
Proceeds from sale of properties ¹	\$ 9,842,363	\$ 0	\$ 0	\$ 9,842,363
Property expenditures ²	0	(4,000,000)	(103,689)	(4,103,689)
Project Advance	650,000	1,650,000	0	2,300,000
	\$ 10,492,363	\$ (2,350,000)	\$ (103,689)	\$ 8,038,674

¹ Proceeds from sale of properties were received from:

- Sale of 4306 Imperial Street for \$1,700,000
- Sale of 4314 Imperial Street for \$1,700,000;
- Sale of 4322 Imperial Street for \$1,700,000;
- Sale of 4330 Imperial Street for \$1,700,000;
- Sale of 6864 McKay Avenue for \$1,900,000; and
- Sale of 6884 McKay Avenue for \$1,450,000.

Transactional costs amounting to \$41,200 and commissions of \$266,437 were incurred and deducted from the above proceeds.

² Property expenditures represent:

- Payments relating to the property for the Retreat Centre; and
- Archdiocesan grants toward a secondary school construction project.

	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 the Retreat Centre.