

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

**Financial Statements
December 31, 2016**

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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, 2016 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 notes 6(a) and (b), 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, 2016 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 8, 2017

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

	2016	2015
Assets		
Current		
Cash	\$ 6,154,466	\$ 4,514,446
Amounts receivable	2,813,945	4,900,662
Current portion of loans receivable from Notre Dame (note 3)	596,064	596,064
Current portion of loans receivable from parishes (note 3)	0	253,703
Loan receivable from Gardens of Gethsemani (note 4)	0	315,000
	9,564,475	10,579,875
Investments (notes 5 and 15)		
Unrestricted	38,404,605	0
Restricted	102,412,925	82,197,852
Pledged cash collateral (note 9)	29,024,683	29,355,451
	169,842,213	111,553,303
Loans Receivable from Parishes and Agencies (note 3)	7,010,451	6,073,799
Loans Receivable from Notre Dame (note 3)	6,002,284	6,367,267
Mortgage Receivable (note 6(a))	135,000	135,000
Investment in Land (note 6(a))	0	357,000
	13,147,735	12,933,066
	\$ 192,554,423	\$ 135,066,244
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 392,624	\$ 1,831,683
Deposits from Parishes and Agencies (note 14)	97,339,039	77,343,647
Collections payable	1,796,081	1,642,360
Parish Project Advance rebates payable (note 14)	1,120,748	1,152,157
Current portion of loans payable (note 15)	596,064	11,095,615
	101,244,556	93,065,462
Loans Payable (note 15)	6,002,284	6,367,267
Deferred Revenue (note 6(a))	0	357,000
	107,246,840	99,789,729
Net Assets		
Unrestricted	34,161,019	9,820,160
Internally Restricted for Specific Programs	46,072,678	20,602,150
Externally Restricted	5,073,886	4,854,205
	85,307,583	35,276,515
	\$ 192,554,423	\$ 135,066,244

Commitments and Contingencies (notes 8 and 11)

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

	2016	2015
Revenues		
Diocesan assessments	\$ 4,280,302	\$ 3,892,177
Project Advance - general	950,000	950,000
	5,230,302	4,842,177
Expenditures		
Archdiocesan operating expenses (schedule 1)	6,127,609	6,225,399
Archdiocesan grants (schedule 2)	475,744	735,243
	6,603,353	6,960,642
Deficiency Before Other Items	(1,373,051)	(2,118,465)
Other Expenditures		
Provision for doubtful debts	100,000	0
Clergy care	69,640	153,287
Consulting and audit	62,499	80,432
Legal costs	60,403	51,446
	(292,542)	(285,165)
Other Revenues		
Interest and investment gain	4,550,917	2,458,089
Legacies, bequests and donations (note 7)	3,794,706	428,142
Unrealized gain on investments	2,124,667	653,793
Property and liability coverage surcharge	628,271	603,675
Fundraising	355,619	402,518
	11,454,180	4,546,217
Investment distribution	(5,550,746)	(2,793,325)
Reallocation of donation receipts	0	(36,834)
	5,903,434	1,716,058
Surplus (Deficiency) Before Property Transactions	4,237,841	(687,572)
Property Transactions (note 6)		
Income (expenditures)		
Net property transactions and secondary school construction income (schedule 3)	46,804,015	17,485,273
General property carrying costs	(107,740)	(113,380)
Elementary school grant	0	(75,000)
	46,696,275	17,296,893
Excess of Revenues over Expenditures	50,934,116	16,609,321
Unrestricted Net Assets, Beginning of Year	9,820,160	(6,633,200)
Transfer to Internally Restricted Funds	(27,795,388)	(1,735,001)
Transfer from Internally Restricted Funds	1,202,131	1,579,040
Unrestricted Net Assets, End of Year	\$ 34,161,019	\$ 9,820,160

See notes to financial statements.

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

	2016					
	Unrestricted			Internally Restricted		
	General	Sites (schedule 3)	Secondary School Construction (schedule 3)	General	Total	
Balance, Beginning of Year	\$ 25,342,950	\$ (11,645,742)	\$ (3,877,048)	\$ 20,602,150	\$ 30,422,310	
Excess of Revenues over Expenditures	26,552,797	876,752	23,504,567	0	50,934,116	
Internally Restricted Expenditures	0	0	0	(1,122,729)	(1,122,729)	
Transfers to Internally Restricted Funds	(27,795,388)	0	0	27,795,388	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	\$ 46,072,678	\$ 80,233,697	
	2015					
	Unrestricted			Internally Restricted		
	General	Sites (schedule 3)	Secondary School Construction (schedule 3)	General	Total	
Balance, Beginning of Year	\$ 10,939,590	\$ (12,295,742)	\$ (5,277,048)	\$ 20,803,122	\$ 14,169,922	
Excess of Revenues over Expenditures	14,559,321	650,000	1,400,000	0	16,609,321	
Internally Restricted Expenditures	0	0	0	(356,933)	(356,933)	
Transfers to Internally Restricted Funds	(1,735,001)	0	0	1,735,001	0	
Transfers from Internally Restricted Funds	1,579,040	0	0	(1,579,040)	0	
Balance, End of Year	\$ 25,342,950	\$ (11,645,742)	\$ (3,877,048)	\$ 20,602,150	\$ 30,422,310	

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, 2015	Transfers from Unrestricted Net Assets	Expenditures	Transfers to Unrestricted Net Assets	Balance, December 31, 2016
Retreat Centre	\$ 0	\$ 20,574,411	\$ (387,033)	\$ 0	\$ 20,187,378
Low-Interest Revolving Fund	8,388,494	219,795	(183,464)	0	8,424,825
Self-insurance	3,732,740	628,271	(300,311)	0	4,060,700
Clergy Retirement: Sisters of Precious Blood	0	2,864,979	(12,699)	0	2,852,280
Clergy Care	2,044,545	55,080	0	(69,640)	2,029,985
Pastoral Ministry	0	2,014,857	0	0	2,014,857
Seminary and Vocations	1,900,257	306,821	0	(834,355)	1,372,723
Catholic Education 2000	1,326,554	34,788	0	(20,000)	1,341,342
St. Joseph's Clergy Residence	1,022,450	27,061	0	0	1,049,511
Archbishop Fundraising: St. John Vianney	420,782	315,641	(7,025)	0	729,398
Evangelization	537,521	13,870	0	(31,267)	520,124
Chapel	442,622	26,856	0	(21,580)	447,898
Archbishop Fundraising: Catholic Charities	0	478,286	(122,666)	0	355,620
Holy Rosary Cathedral Renovations	281,847	26,934	0	(15,743)	293,038
Special Events	200,775	5,289	(50,000)	0	156,064
Deacon Formation	203,589	33,672	0	(119,891)	117,370
Chaplaincies	87,976	2,389	0	0	90,365
Truth and Reconciliation	11,998	17,202	0	0	29,200
Youth Ministry	0	149,186	(59,531)	(89,655)	0
	\$ 20,602,150	\$ 27,795,388	\$ (1,122,729)	\$ (1,202,131)	\$ 46,072,678

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

	2016	2015
Revenues	\$ 762,086	\$ 465,979
Expenditures	(542,405)	(3,835,492)
Excess (Deficiency) of Revenues over Expenditures	219,681	(3,369,513)
Balance, Beginning of Year	4,854,205	8,223,718
Balance, End of Year	\$ 5,073,886	\$ 4,854,205

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

	2016	2015
Operating Activities		
Excess of revenues over expenditures	\$ 50,934,116	\$ 16,609,321
Internally restricted expenditures	(1,122,729)	(356,933)
Excess (deficiency) of revenues over expenditures - externally restricted	219,681	(3,369,513)
Items not involving cash		
Unrealized gain on investments	(2,124,667)	(828,793)
Gain on sale of building	(44,410,296)	(16,401,103)
	3,496,105	(4,347,021)
Changes in non-cash working capital		
Amounts receivable	2,086,717	(1,702,454)
Interest accrued on investments	(349,375)	(517,070)
Accounts payable	(1,439,059)	1,894
Deposits from parishes and agencies	7,324,911	2,174,741
Collections payable	153,721	89,572
Parish Project Advance rebates payable	(31,409)	145,437
	7,745,506	192,120
Cash Provided by (Used in) Operating Activities	11,241,611	(4,154,901)
Investing Activities		
Investments purchased	(180,730,171)	(95,931,686)
Investments redeemed	127,235,170	84,465,933
Proceeds from sale of buildings	44,410,296	16,401,103
Purchase of new property	(720,606)	0
Repayments from (loan to) Notre Dame, net	364,983	(1,859,804)
Loans to other parishes, net	(111,280)	(843,816)
Repayment from (loan to) Gardens of Gethsemani	315,000	(315,000)
Cash Provided by (Used in) Investing Activities	(9,236,608)	1,916,730
Financing Activity		
Funds from (repayments to) loan payable	(364,983)	1,863,331
Inflow (Outflow) of Cash	1,640,020	(374,840)
Cash, Beginning of Year	4,514,446	4,889,286
Cash, End of Year	\$ 6,154,466	\$ 4,514,446

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

Notes to Financial Statements
Year Ended December 31, 2016

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") 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 Roman Catholic Archbishop of Vancouver, the Corporate Sole. 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
 - Rosemary Heights Retreat Centre (ceased operations in December 2015).

These financial statements do not consolidate the accounts of the 85 parishes within the Archdiocese (see note 14), 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, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Fund accounting

(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% (2015 - 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 11% (2015 - 10%) 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, 2016

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 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 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 excess (deficiency) of revenues over expenditures in the period incurred.

(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 receivables and payables and the collectability of 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, 2016

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

	2016	2015
Notre Dame	\$ 6,598,348	\$ 6,963,331
Current portion from Notre Dame	(596,064)	(596,064)
	<u>6,002,284</u>	<u>6,367,267</u>
Parishes	5,892,772	5,113,151
Agencies	1,117,679	1,214,351
Current portion	0	(253,703)
	<u>7,010,451</u>	<u>6,073,799</u>
	<u>\$ 13,012,735</u>	<u>\$ 12,441,066</u>

Interest earned from loans from parishes during the year totaled \$73,128 (2015 - \$88,646). These loans bear interest at the chancery deposit rates of 1.00% for January to June 2016 and 2.00% for July to December 2016 (2015 - 2.50% and 1.00%).

The current portion of the loans receivable from parishes is based on the expected repayment over the next year.

The loan from Notre Dame bears interest at 3.39% and has set repayment terms that match the bank loan, as stated in note 15.

Interest earned from loans from agencies during the year totaled \$29,386 (2015 - \$29,619). These loans have no set repayment terms and bear interest at bank prime. Bank prime during the year was 2.70% (2015 - 2.70%).

4. LOAN RECEIVABLE FROM GARDENS OF GETHSEMANI

During the prior year, the Archdiocese granted a \$315,000 loan to Gardens of Gethsemani. The loan was fully paid off in the current year.

THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER
SAINT JOHN PAUL II PASTORAL CENTRE
Notes to Financial Statements
Year Ended December 31, 2016

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:

	2016	2015
Accrued interest	\$ 349,375	\$ 308,519
At fair value		
Unrestricted	18,958,973	0
Restricted	50,557,578	34,153,955
Pledged collateral	29,024,683	29,355,451
	98,541,234	63,509,406
At amortized cost		
Unrestricted (market value 2016 - \$19,318,934; 2015 - \$nil)	19,350,349	0
Restricted (market value 2016 - \$51,517,481; 2015 - \$47,744,616)	51,601,255	47,735,378
	70,951,604	47,735,378
	\$ 169,842,213	\$ 111,553,303

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

Notes to Financial Statements
Year Ended December 31, 2016

5. INVESTMENTS (Continued)

(b) Investments are represented as follows:

	2016	2015
Accrued interest	\$ 349,375	\$ 308,519
At fair value		
Cash held as collateral	29,024,683	29,355,451
Mutual funds	27,005,267	9,257,062
Common shares	25,657,343	17,207,667
Fixed income	16,853,940	7,689,226
	98,541,233	63,509,406
At amortized cost		
Guaranteed investment certificates	49,039,624	24,695,660
Fixed income investments	17,994,387	19,282,273
Government and government-backed securities and banker's acceptance notes	3,917,594	3,757,445
	70,951,605	47,735,378
	\$ 169,842,213	\$ 111,553,303

Government and government-backed securities and banker's acceptance notes bear fixed interest yields ranging from 2.00% to 4.50% (2015 - 2.10% to 4.50%) and mature between June 2019 and June 2026 (2015 - June 2019 and November 2025).

Included in fixed income investments are a banker's collateral account bearing interest at bank prime rate (2015 - bank prime rate).

Guaranteed investment certificates bear interest at rates ranging from 0.95% to 2.43% (2015 - 0.95% to 3.00%) and mature between March 2017 and October 2019 (2015 - April 2016 and November 2018).

6. PROPERTIES

(a) 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
SAINT JOHN PAUL II PASTORAL CENTRE**

**Notes to Financial Statements
Year Ended December 31, 2016**

6. PROPERTIES (Continued)

- (b) On November 24, 2011, the Archdiocese entered into a Purchase and Sale Agreement (the "Agreement") for the sale of certain land and building. Under the terms of the Agreement, the Archdiocese will receive proceeds of \$21,500,000 in three tranches, as follows:
- (i) \$3,000,000 within 48 hours of written notice confirming that the Archdiocese has received approval from the Holy See. The written notice and these proceeds were received in 2012;
 - (ii) \$2,000,000 within six months following the execution of the Agreement. These proceeds were received in 2012; and
 - (iii) \$16,500,000 by March 31, 2015. These proceeds, net of transaction costs, were received during 2015.

The above proceeds were recorded in the statement of operations for unrestricted net assets under net property transactions and secondary school construction costs.

7. LEGACIES, BEQUESTS AND DONATIONS

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

8. CONTINGENCIES

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.

9. GUARANTEES

The Archdiocese is the guarantor to its bankers for:

	2016	2015
Parish bank loans	\$ 31,257,539	\$ 29,352,707
Letters of credit issued	403,604	2,583,338
	31,661,143	31,936,045
Pledged collateral security	(29,024,683)	(29,355,451)
	\$ 2,636,460	\$ 2,580,594

As per the Archdiocese's agreement with a certain bank, the parish bank loans cannot exceed \$40,000,000 at any point during the year.

Pledged collateral security consists of cash held by the Archdiocese at two major Canadian financial institutions.

10. 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, 2016

11. 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 funding to Vancouver College in support for its campaign in building its new facilities, aggregating \$60,000 expiring in 2020. Commitments in each of the next four years are as follows:

2017	\$	220,000
2018		320,000
2019		295,000
2020		225,000
		<hr/>
	\$	1,060,000

12. 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, are minimal as they are under common control of the Corporate Sole.

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

Notes to Financial Statements
Year Ended December 31, 2016

12. 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, 2016, the Archdiocese holds US cash of \$786,931 (2015 - \$941,404) and US dollar denominated investments of \$17,746,467 (2015 - \$11,234,270) 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.

13. PENSION PLAN

The Archdiocese of Vancouver 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 2016 employer's contributions were \$228,315 (2015 - \$240,724).

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

Notes to Financial Statements
Year Ended December 31, 2016

14. RELATED PARTY TRANSACTIONS

The Saint John Paul II Pastoral Centre had the following transactions with the 85 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.

	2016	2015
Payments received from parishes		
Project Advance collections	\$ 7,662,312	\$ 7,087,778
Diocesan assessments	4,280,302	3,892,177
Special collections	2,034,662	2,938,692
Insurance premiums assessed	1,814,444	1,834,324
Interest earned from loans	102,514	60,325
	\$ 15,894,234	\$ 15,813,296
Payments made to parishes		
Project Advance rebates	\$ 3,201,738	\$ 3,622,241
Interest paid on deposit accounts	769,027	787,347
Youth ministry rebates	78,268	61,192
Low-interest revolving fund interest paid	59,531	35,224
	\$ 4,108,564	\$ 4,506,004

In addition to the Project Advance rebates paid during the year, \$1,120,748 (2015 - \$1,152,157) were still payable as at year-end and are included in Parish Project Advance rebates payable.

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 were 1.00% for January to June 2016 and 2.00% for July to December 2016 (2015 - 2.50% and 1.00%).

15. LOANS PAYABLE

	2016	2015
Bank loan – Notre Dame	\$ 6,598,348	\$ 6,963,331
Parishes and agencies	0	10,499,551
	6,598,348	17,462,882
Less: Current portion	596,064	11,095,615
	\$ 6,002,284	\$ 6,367,267

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

**Notes to Financial Statements
Year Ended December 31, 2016**

15. LOANS PAYABLE (Continued)

Loans payable to parishes and agencies represent the deficiency between restricted investments compared to deposits from parishes and agencies and externally restricted net assets. The deficiency was reduced to nil in the current year as the proceeds from the sale of Rosemary Heights Retreat Centre were used to recover the deficiency. These loans earn interest based on the rates disclosed in note 14 and are repayable upon demand.

The above bank loan consists of a non-revolving credit facility of up to \$7,000,000 (2015 - \$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:

2017	\$	596,064
2018		596,064
2019		596,064
2020		596,064
2021 and thereafter		4,214,092
	\$	6,598,348

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

Schedule 1

	2016	2015
Apostleship of the Sea	\$ 53,340	\$ 66,424
Archbishop's Office	250,145	270,553
Archdiocesan Operations	117,164	143,917
Archives	103,654	110,009
B.C. Catholic	(23,131)	4,616
Facilities Management	207,030	73,104
Chaplaincies	341,870	342,299
Chancellor's Office	319,091	341,727
Catechetics	303,421	309,613
Communications	194,036	178,812
Deacon Formation	135,509	185,034
Delegate for Administration	227,662	261,471
Development	256,414	208,179
Ecumenism and Inter Faith	55,600	53,200
Evangelization	72,182	112,943
Finance	399,200	285,658
First Nations	55,321	48,072
Human Resources	136,706	113,318
Information Technology	223,038	254,171
Internal Audit	117,457	117,054
Life, Marriage and Family	564,331	598,158
Matrimonial Tribunal	371,189	421,050
Project Management	115,460	86,766
Redemptoris Mater Seminary	144,754	138,844
Rosemary Heights Retreat Centre	0	248,747
Safe Environment	71,247	38,236
Seismic Study	0	975
Seminary and Vocations	689,601	637,348
Service and Justice	158,195	128,387
Stewardship	44,319	57,927
Vanspec	51,167	56,414
Vicar's General Office	53,699	45,958
Youth and Young Adult	317,938	286,415
	\$ 6,127,609	\$ 6,225,399

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

Schedule 2

**Archdiocesan Grants
Year Ended December 31**

	2016	2015
St. Mark's College and Corpus Christi College	\$ 300,000	\$ 400,000
Project Advance Grants	100,000	100,000
Catholic Health Association of B.C.	40,000	42,000
Vancouver College	20,000	20,000
Holy Rosary	15,744	142,243
St. Thomas More Collegiate Foundation	0	20,000
Family Planning Programs	0	11,000
	\$ 475,744	\$ 735,243

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

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

- \$947,358

² Represents purchase of 3123 Shaughnessy Street in Port Coquitlam.

2015				
	Sites Acquisitions/ Dispositions	Secondary School Construction	JP II Pastoral Centre Project	Total
New JP II Pastoral Centre expenditures	\$ 0	\$ 0	\$ (3,952,283)	\$ (3,952,283)
Project Advance	650,000	1,400,000	0	2,050,000
Recovery from Clergy Fund	0	0	2,986,453	2,986,453
Proceeds from sale of property ³	0	0	16,401,103	16,401,103
	\$ 650,000	\$ 1,400,000	\$ 15,435,273	\$ 17,485,273

³ Proceeds from sale of property were received from the sale of 150 Robson Street.