

Financial Statements of

**ST. JOSEPH'S HEALTHCARE  
FOUNDATION, HAMILTON**

Year ended March 31, 2010



**KPMG LLP**  
**Chartered Accountants**  
Commerce Place  
21 King Street West, Suite 700  
Hamilton, Ontario L8P 4V7  
Canada

Telephone (905) 523-8200  
Fax (905) 523-2222  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **AUDITORS' REPORT TO THE BOARD OF DIRECTORS**

We have audited the financial position of St. Joseph's Healthcare Foundation, Hamilton as at March 31, 2010 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. In accordance with the Corporations Act (Ontario), we report that, in our opinion, these principles have been applied on a basis consistent with that of the prior year except as disclosed in Note 2 of the financial statements.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Accountants, Licensed Public Accountants

Hamilton, Canada

May 10, 2010

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Financial Position

March 31, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash	\$ 809,856	\$ 640,680
Accounts receivable	74,690	121,033
Cash surrender value (note 3)	140,142	122,328
Investments (note 4)	21,735,081	16,376,987
Prepaid expenses and other assets	37,946	21,934
	<u>22,797,715</u>	<u>17,282,962</u>
Capital assets (note 5)	78,942	105,628
	<u>\$ 22,876,657</u>	<u>\$ 17,388,590</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals	\$ 298,211	\$ 753,425
Deferred revenue	114,845	68,666
	<u>413,056</u>	<u>822,091</u>
Fund balances (note 6)	22,463,601	16,566,499
Contingency (note 10)		
	<u>\$ 22,876,657</u>	<u>\$ 17,388,590</u>

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2010, with comparative figures for 2009

	General Funds	Restricted Funds	Endowment Funds	2010 Total	2009 Total
Revenue:					
Fundraising programs (note 7)	\$ 3,575,347	\$ 3,146,812	\$ 20,378	\$ 6,742,537	\$ 6,913,155
Investment income (loss)	3,394,441	5,621	262,718	3,662,780	(3,515,533)
	6,969,788	3,152,433	283,096	10,405,317	3,397,622
Expenses:					
Fundraising	702,065	-	-	702,065	815,998
Operating and administration	1,755,007	-	-	1,755,007	2,244,728
	2,457,072	-	-	2,457,072	3,060,726
Excess of revenue over expense before grants	4,512,716	3,152,433	283,096	7,948,245	336,896
Grants (note 8)	122,708	1,698,778	229,657	2,051,143	3,054,115
Excess (deficiency) of revenue over expense	4,390,008	1,453,655	53,439	5,897,102	(2,717,219)
Fund balances, beginning of year	167,943	9,656,110	6,742,446	16,566,499	19,283,718
Inter-fund transfers	(10,000)	10,000	-	-	-
Fund balances, end year	\$ 4,547,951	\$11,119,765	\$ 6,795,885	\$22,463,601	\$16,566,499

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Cash Flows

Year ended March 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations activities:		
Excess of revenue over expense before grants	\$ 7,948,245	\$ 336,896
Non-cash items:		
(Increase) decrease in market value of investments (note 4)	(3,132,293)	2,628,987
Amortization of capital assets	30,764	26,155
Increase in cash surrender value	(17,814)	(22,179)
Changes in non-cash working capital balances:		
Accounts receivable	46,343	6,088
Prepaid expenses and other assets	(16,012)	54,731
Accounts payable and accruals	(455,214)	512,830
Deferred revenue	46,179	8,211
	4,450,198	3,551,719
Grants (note 8)	(2,051,143)	(3,054,115)
	2,399,055	497,604
Investing activities:		
(Increase) decrease in cost of investments (note 4)	(2,225,801)	343,028
Decrease in trust liabilities	-	(350,027)
Purchase of capital assets	(4,078)	(106,864)
	(2,229,879)	(113,863)
Increase in cash position	169,176	383,741
Cash position, beginning of year	640,680	256,939
Cash position, end of year	\$ 809,856	\$ 640,680
Supplemental cash flow information:		
Bank interest income received	\$ 5,850	\$ 24,393

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2010

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The St. Joseph's Healthcare Foundation, Hamilton (the "Foundation") is incorporated without share capital under the laws of Ontario and is a public charitable foundation registered under the Income Tax Act (Canada). The Foundation receives, accumulates and distributes funds and income there from for the benefit of St. Joseph's Healthcare Hamilton.

## 1. Significant accounting policies:

### (a) Fund accounting:

The Foundation follows the restricted fund method of accounting.

The General Fund consists of unrestricted net assets.

The Restricted Funds consists of net assets to be used in accordance with objectives specified by the donors.

The Endowment Funds consists of net assets contributed in perpetuity.

Expenses directly related to the activities of the Restricted or Endowment Funds are recorded as an expense of those funds. All other operating and administrative expenses are charged to the general fund.

### (b) Revenue recognition:

Pledges and donations are recorded as revenue when cash is received. Pledges outstanding are outlined in note 7.

Investment income earned which must be spent on specific activities is recognized in the Restricted or Endowment Funds. All other investment income is recognized in the General Fund.

### (c) Investments:

Investments are recorded at fair market value. Investments denominated in foreign currencies are translated to Canadian dollars using the rate in effect at the balance sheet date.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (d) Contributed goods and services:

Gifts in kind contributed to the Foundation for which tax receipts have been issued are recorded at their fair market value.

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its fundraising activities. The fair market value of this work is not determinable and not reflected in these accounts, but the Foundation recognizes the very significant value of this contribution and states so here.

### (e) Capital assets:

Capital assets are recorded at cost. Amortization is recorded over the estimated useful lives of the assets on a straight-line basis.

Asset	Rate
Furniture, fixtures and leasehold improvements	5 years
Computer hardware	3 years
Computer software	3 years

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### (f) Fundraising expenses:

Fundraising expenses include all expenses directly attributable to fundraising activities, excluding salaries.

### (g) Operating and administration expenses:

Operating and administration expenses include salaries, fees, business and overhead expenses. Salary costs relate to both fundraising and administrative personnel.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## 1. Significant accounting policies (continued):

### (h) Financial instruments:

Financial instruments are initially recorded on the balance sheet at fair value. They are subsequently valued at fair value or amortized cost depending on the classification selected for the financial instrument. Financial assets are classified as either "held-for-trading", "held-to-maturity", "available-for-sale" or "loans and receivables" and financial liabilities are classified as either "held-for-trading" or "other liabilities". Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recorded in the statement of operations. Financial assets classified as held-to-maturity or loans and receivables and financial liabilities classified as other liabilities are subsequently measured at amortized cost using the effective interest method. Available-for-sale financial assets that have a quoted price in an active market are measured at fair value with changes in fair value recorded in changes in net assets. Such gains or losses are reclassified to the statement of operations when the related financial asset is disposed of or when the decline in value is considered to be other-than-temporary.

The Foundation has classified its financial instruments as follows:

- Cash is classified as held-for-trading.
- Short-term investments are classified as held-for-trading.
- Cash surrender value are classified as held-for-trading.
- Accounts receivable are classified as loans and receivables.
- Accounts payable and accrued liabilities are classified as other liabilities.

The Foundation has elected to use trade date accounting for regular-way purchases and sales of financial assets.

The Foundation is subject to market risk, foreign currency risk and interest rate risk with respect to the Foundation's investments. To manage these risks, the Foundation has established a target mix of investment types designed to achieve the optimal return with reasonable risk tolerances. The Foundation employs diversification of assets across various industries and markets including Canadian, U.S. and International to manage the risk.

The Foundation has elected to not separately account for embedded derivatives.

### (i) Capital management:

The Foundation considers its capital to be comprised of its fund balances. Restricted funds are subject to the externally imposed expenditure requirements of the donor.

The Foundation manages capital to safeguard its ability to operate and to meet its financial obligations as they become due.



# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## **2. Change in accounting policy:**

On April 1, 2009, the Organization adopted Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations". This standard requires certain disclosures when fundraising and general support expenses are allocated to other functions.

The Organization also adopted the revisions that were made to section 4400 relating to not-for-profit organizations. These changes allow the optional disclosure of net assets invested in capital assets, require application of section 1540 "Cash Flow Statements" and require reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other CICA guidance.

Effective April 1, 2009 the entity adopted the CICA amendments to Section 1000 of the CICA Handbook. These amendments clarified the criteria for recognition of an asset or liability, removing the ability to recognize assets or liabilities solely on the basis of matching of revenue and expense items.

The adoption of these standards had no effect on the presentation of the statements.

## **3. Cash surrender value:**

The Foundation has received donations in the form of insurance policies. These policies have been irrevocably transferred to the Foundation. The Foundation has included within the financial statements those life insurance policies which include a cash surrender value option. The amounts recorded are the cash surrender values that the Foundation is currently entitled to.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

## 4. Investments:

	Cost	2010 Market	Percentage of Total Market
Cash equivalents	\$ 459,081	\$ 458,478	2.1%
Fixed income	8,695,941	8,870,630	40.8%
Equities	13,087,602	12,405,973	57.1%
	<b>\$ 22,242,624</b>	<b>\$ 21,735,081</b>	<b>100.0%</b>

	Cost	2009 Market	Percentage of Total Market
Cash equivalents	\$ 1,434,564	\$ 1,436,476	8.8%
Fixed income	7,648,984	7,375,636	45.0%
Equities	10,933,275	7,564,875	46.2%
	<b>\$ 20,016,823</b>	<b>\$ 16,376,987</b>	<b>100.0%</b>

	2010	2009
Change in investments during the year:		
Increase (decrease) in market values during the year	\$ 5,358,094	\$ (2,972,015)
Decrease (increase) in cost basis of investments in the year	(2,225,801)	343,028
	<b>\$ 3,132,293</b>	<b>\$ (2,628,987)</b>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## 5. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and leasehold improvements	\$ 108,239	\$ 34,247	\$ 73,992	\$ 94,438
Computer hardware	19,036	14,086	4,950	5,999
Computer software	31,150	31,150	-	5,191
	\$ 158,425	\$ 79,483	\$ 78,942	\$ 105,628

## 6. Fund balances:

The only assets held in the Restricted and Endowment Funds are investments. There are no liabilities in the Restricted and Endowment Funds.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

## 6. Fund balances (continued):

**Restricted Funds:** (The Restricted Funds consists of net assets to be used in accordance with objectives specified by the donors.)

	2010	2009
Charlton Avenue site	\$ 6,962,457	\$ 5,984,467
Specific departments of St. Joseph's Healthcare Hamilton	3,849,046	3,436,344
Centre for Mountain Health Services	292,735	216,064
Centre for Ambulatory Health Services	15,527	19,235
	<b>\$ 11,119,765</b>	<b>\$ 9,656,110</b>

**Endowment Funds:** (The Endowment Funds consists of net assets contributed in perpetuity.)

	2010	2009
Original contributions - external	\$ 6,300,405	\$ 6,294,180
Income available for distribution	495,480	448,266
	<b>\$ 6,795,885</b>	<b>\$ 6,742,446</b>

**General Fund:** (The General Fund consists of unrestricted net assets)

	2010	2009
Unrestricted	\$ 4,562,951	\$ 167,943

	2010	2009
<b>Total Funds</b>	<b>\$ 22,478,601</b>	<b>\$ 16,566,499</b>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

## 7. Fundraising programs:

	2010	2009
Major gifts	\$ 4,635,394	\$ 3,262,241
Special events	672,190	753,922
Other	509,029	385,877
Planned giving	354,456	1,888,309
Lottery	273,637	247,620
Direct mail	242,890	247,322
Memorial gifts	54,941	127,864
	<u>\$ 6,742,537</u>	<u>\$ 6,913,155</u>

The Foundation expects to receive outstanding pledges totaling \$4,141,000 over the next three years (2009 - \$5,915,000).

During the year, the Foundation secured a \$2,000,000 pledge from a large international pharmaceutical company to support research at St. Joseph's Healthcare Hamilton. However, due to certain technical aspects of the gift, the total pledge was directed to a major local university, and, accordingly, is not reflected in the Foundation's financial statements.

## 8. Grants to St. Joseph's Healthcare Hamilton:

	2010	2009
Research	\$ 853,314	\$ 1,252,418
Equipment	589,579	1,313,763
Programs	391,708	308,179
Education	216,542	179,755
	<u>\$ 2,051,143</u>	<u>\$ 3,054,115</u>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2010

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## 9. Related party transactions:

	2010	2009
Revenue includes amounts received from:		
St. Joseph's Healthcare Hamilton	\$ 11,090	\$ 26,217
St. Joseph's Hospital Volunteer Association	272,000	368,275
Grants:		
St. Joseph's Healthcare Hamilton	\$ 2,051,143	\$ 3,054,115

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Through St. Joseph's Health System, the Foundation is a related party to various entities due to common control.

Included in accounts payable is a payable to St. Joseph's Healthcare Hamilton for \$212,926 (2009 - \$676,393).

## 10. Contingency:

The Foundation has an outstanding letter of credit with its banker in the amount of \$162,000 at March 31, 2010 related to an on-going fundraising program (2009 - \$175,500).