

Financial Statements of

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

Year ended March 31, 2012



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## INDEPENDENT AUDITORS' REPORT

To the St. Joseph's Health System and the Board of Directors of the St. Joseph's Healthcare Foundation

We have audited the accompanying financial statements of St. Joseph's Healthcare Foundation, Hamilton (the "Entity"), which comprise the statement of financial position as at March 31, 2012, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes, comprising 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 generally accepted accounting principles, 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 our 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, we consider 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.



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of St. Joseph's Healthcare Foundation, Hamilton as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

June 20, 2012  
Hamilton, Canada

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
<b>Assets</b>		
Current assets:		
Cash	\$ 5,625,062	\$ 328,511
Accounts receivable	235,030	170,767
Cash surrender value (note 2)	151,960	141,980
Investments (note 3)	24,161,298	26,215,473
Prepaid expenses and other assets	82,937	27,996
	<u>30,256,287</u>	<u>26,884,727</u>
Capital assets (note 4)	77,003	64,178
	<u>\$ 30,333,290</u>	<u>\$ 26,948,905</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals (note 8)	\$ 293,466	\$ 216,060
Deferred revenue	64,900	51,500
	<u>358,366</u>	<u>267,560</u>
Fund balances (note 5)	29,974,924	26,681,345
Contingency (note 9)		
	<u>\$ 30,333,290</u>	<u>\$ 26,948,905</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, 2012, with comparative figures for 2011

	General Funds	Restricted Funds	Endowment Funds	2012 Total	2011 Total
Revenues:					
Fundraising programs (note 6)	\$ 3,875,607	\$ 9,034,743	\$ 32,075	\$ 12,942,425	\$ 11,360,540
Investment income	(203,395)	3,357	378,504	178,466	2,685,975
	3,672,212	9,038,100	410,579	13,120,891	14,046,515
Expenses:					
Fundraising	1,102,558	-	-	1,102,558	704,888
Operating and administration	2,149,424	-	-	2,149,424	2,023,566
	3,251,982	-	-	3,251,982	2,728,454
Excess of revenue over expense before grants					
	420,230	9,038,100	410,579	9,868,909	11,318,061
Grants (note 7)	114,683	6,106,699	353,948	6,575,330	7,100,317
Excess of revenue over expense					
	305,547	2,931,401	56,631	3,293,579	4,217,744
Fund balances, beginning of year	6,751,631	10,062,825	9,866,889	26,681,345	22,463,601
Inter-fund transfers	(25,000)	25,000	-	-	-
Fund balances, end of year					
	\$ 7,032,178	\$ 13,019,226	\$ 9,923,520	\$ 29,974,924	\$ 26,681,345

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operations activities:		
Excess of revenue over expense	\$ 3,293,579	\$ 4,217,744
Non-cash items:		
Decrease (increase) in unrealized gains on investments (note 3)	709,472	(1,433,097)
Amortization of capital assets	31,578	26,087
Increase in cash surrender value	(9,980)	(1,838)
Changes in non-cash working capital balances:		
Accounts receivable	(64,263)	(96,077)
Prepaid expenses and other assets	(54,941)	9,950
Accounts payable and accruals	77,406	(82,151)
Deferred revenue	13,400	(63,345)
	<u>3,996,251</u>	<u>2,577,273</u>
Investing activities:		
Increase in cost of investments (note 3)	1,344,703	(3,047,295)
Purchase of capital assets	(44,403)	(11,323)
	<u>1,300,300</u>	<u>(3,058,618)</u>
Increase (decrease) in cash position	5,296,551	(481,345)
Cash position, beginning of year	328,511	809,856
Cash position, end of year	<u>\$ 5,625,062</u>	<u>\$ 328,511</u>
Supplemental cash flow information:		
Bank interest income received	\$ 9,680	\$ 8,098

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2012

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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 6.

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, 2012

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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.

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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, 2012

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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, 2012

## 2. 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.

## 3. Investments:

	Cost	2012 Market	Percentage of Total Market
Cash equivalents	\$ 75,756	\$ 75,701	0.3%
Fixed income	9,933,038	10,160,104	42.1%
Equities	13,936,422	13,925,493	57.6%
	<u>\$ 23,945,216</u>	<u>\$ 24,161,298</u>	<u>100.0%</u>

	Cost	2011 Market	Percentage of Total Market
Cash equivalents	\$ 24,048	\$ 24,043	0.1%
Fixed income	11,102,146	11,166,917	42.6%
Equities	14,163,725	15,024,513	57.3%
	<u>\$ 25,289,919</u>	<u>\$ 26,215,473</u>	<u>100.0%</u>

	2012	2011
Change in investments during the year:		
(Decrease) increase in market values during the year	\$ (2,054,175)	\$ 4,480,392
Decrease (increase) in cost basis of investments in the year	1,344,703	(3,047,295)
	<u>\$ (709,472)</u>	<u>\$ 1,433,097</u>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 4. Capital assets:

			2012			2011
	Cost	Accumulated amortization	Net book value		Net book value	
Furniture, fixtures and leasehold improvements	\$ 143,859	\$ 81,094	\$ 62,765	\$	\$ 54,348	
Computer hardware	37,157	24,573	12,584		9,830	
Computer software	33,135	31,481	1,654		-	
	\$ 214,151	\$ 137,148	\$ 77,003	\$	\$ 64,178	

## 5. Fund balances:

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

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

			2012			2011
Charlton Avenue site			\$ 5,346,844	\$	\$ 4,591,005	
Specific departments of St. Joseph's Healthcare Hamilton			5,525,136		4,534,703	
Centre for Mountain Health Services			2,061,828		920,496	
Centre for Ambulatory Health Services			85,418		16,621	
			\$ 13,019,226	\$	\$ 10,062,825	

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2012

## 5. Fund balances (continued):

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

	2012	2011
Original contributions - external	\$ 9,304,980	\$ 9,303,355
Income available for distribution	618,540	563,534
	\$ 9,923,520	\$ 9,866,889

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

	2012	2011
Unrestricted	\$ 7,032,178	\$ 6,751,631

	2012	2011
<b>Total Funds</b>	<b>\$ 29,974,924</b>	<b>\$ 26,681,345</b>

## 6. Fundraising programs:

	2012	2011
Major gifts	\$ 10,268,716	\$ 7,481,630
Special events	1,077,501	999,898
Planned giving	635,590	1,915,810
Lottery	314,208	297,672
Other	283,131	320,339
Direct mail	259,571	246,763
Memorial gifts	103,708	98,428
	\$ 12,942,425	\$ 11,360,540

The Foundation expects to receive outstanding pledges totaling \$14,383,000 over the next five years and \$5,113,000 thereafter.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2012

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

	2012	2011
Capital and Equipment	\$ 4,625,988	\$ 5,325,485
Research	1,545,286	1,016,081
Programs	264,871	672,237
Education	139,185	86,514
	<u>\$ 6,575,330</u>	<u>\$ 7,100,317</u>

In April 2012, subsequent to yearend, the Foundation disbursed \$5,000,000 to the Hospital for special projects.

## 8. Related party transactions:

	2012	2011
Revenue includes amounts received from:		
St. Joseph's Healthcare Hamilton	\$ 31,733	\$ 149,257
St. Joseph's Villa	1,800	3,100
St. Joseph's Home Care	1,585	950
St. Joseph's Health System	-	1,995
St. Joseph's Lifecare Centre	-	950
Grants:		
St. Joseph's Healthcare Hamilton	\$ 6,575,330	\$ 7,100,317

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

Included in accounts payable and accruals is a payable to St. Joseph's Healthcare Hamilton for \$155,428 (2011 - \$139,429).

## 9. Contingency:

The Foundation has an outstanding letter of credit with its banker in the amount of \$187,200 at March 31, 2012 related to an on-going fundraising program (2011 - \$167,700).