

Financial Statements of

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

Years ended March 31, 2013



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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, Hamilton

We have audited the accompanying financial statements of St. Joseph's Healthcare Foundation, Hamilton (the "Entity"), which comprise the statements of financial position as at March 31, 2013, March 31, 2012 and April 1, 2011, the statements of operations and changes in fund balances and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 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 audits. We conducted our audits 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.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.



*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, 2013, March 31, 2012 and April 1, 2011, and its results of operations and changes in fund balances and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

*KPMG LLP*

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Chartered Accountants, Licensed Public Accountants

June 19, 2013  
Hamilton, Canada

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Financial Position

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
<b>Assets</b>			
Current assets:			
Cash	\$ 1,177,700	\$ 5,625,062	\$ 328,511
Accounts receivable (note 2)	251,493	235,030	170,767
Cash surrender value (note 3)	187,587	151,960	141,980
Investments (note 4)	29,013,841	24,161,298	26,215,473
Prepaid expenses and other assets	79,036	82,937	27,996
	<u>30,709,657</u>	<u>30,256,287</u>	<u>26,884,727</u>
Capital assets (note 5)	64,063	77,003	64,178
	<u>\$30,773,720</u>	<u>\$30,333,290</u>	<u>\$26,948,905</u>

## Liabilities and Fund Balances

Current liabilities:			
Accounts payable and accruals	\$ 261,417	\$ 293,466	\$ 216,060
Deferred revenue (note 6)	88,500	64,900	51,500
	<u>349,917</u>	<u>358,366</u>	<u>267,560</u>
Fund balances (note 7)	30,423,803	29,974,924	26,681,345
Contingency (note 11)			
	<u>\$30,773,720</u>	<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, 2013

	General Funds	Restricted Funds	Endowment Funds	Total
Revenues:				
Fundraising programs (note 8)	\$ 4,568,238	\$ 4,609,925	\$ 12,700	\$ 9,190,863
Investment income	1,652,430	2,770	359,639	2,014,839
	6,220,668	4,612,695	372,339	11,205,702
Expenses:				
Fundraising	1,054,640	-	-	1,054,640
Operating and administration	2,141,873	-	-	2,141,873
	3,196,513	-	-	3,196,513
Excess of revenue over expense before grants	3,024,155	4,612,695	372,339	8,009,189
Grants (note 9)	54,966	7,156,386	348,958	7,560,310
Excess of revenue over expense	2,969,189	(2,543,691)	23,381	448,879
Fund balances, beginning of year	7,032,178	13,019,226	9,923,520	29,974,924
Inter-fund transfers	(96,962)	96,962	-	-
Fund balances, end of year	\$ 9,904,405	\$10,572,497	\$ 9,946,901	\$30,423,803

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012

	General Funds	Restricted Funds	Endowment Funds	2012 Total
Revenues:				
Fundraising programs (note 8)	\$ 3,875,607	\$ 9,034,743	\$ 32,075	\$ 12,942,425
Investment income	(203,395)	3,357	378,504	178,466
	3,672,212	9,038,100	410,579	13,120,891
Expenses:				
Fundraising	1,102,558	-	-	1,102,558
Operating and administration	2,149,424	-	-	2,149,424
	3,251,982	-	-	3,251,982
Excess of revenue over expense before grants	420,230	9,038,100	410,579	9,868,909
Grants (note 9)	114,683	6,106,699	353,948	6,575,330
Excess of revenue over expense	305,547	2,931,401	56,631	3,293,579
Fund balances, beginning of year	6,751,631	10,062,825	9,866,889	26,681,345
Inter-fund transfers	(25,000)	25,000	-	-
Fund balances, end of year	\$ 7,032,178	\$13,019,226	\$ 9,923,520	\$ 29,974,924

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Cash Flows

Year ended March 31, 2013 and 2012

	2013	2012
Cash provided by (used in):		
Operations activities:		
Excess of revenue over expense	\$ 448,879	\$ 3,293,579
Non-cash items:		
(Increase) decrease in unrealized gains on investments (note 4)	(907,347)	709,472
Amortization of capital assets	38,400	31,578
Increase in cash surrender value	(35,627)	(9,980)
Changes in non-cash working capital balances:		
Accounts receivable	(16,463)	(64,263)
Prepaid expenses and other assets	3,901	(54,941)
Accounts payable and accruals	(32,049)	77,406
Deferred revenue	23,600	13,400
	(476,706)	3,996,251
Investing activities:		
(Decrease) increase in cost of investments (note 4)	(3,945,196)	1,344,703
Purchase of capital assets	(25,460)	(44,403)
	(3,970,656)	1,300,300
Increase (decrease) in cash position	(4,447,362)	5,296,551
Cash position, beginning of year	5,625,062	328,511
Cash position, end of year	\$ 1,177,700	\$ 5,625,062
Supplemental cash flow information:		
Bank interest income received	\$ 19,946	\$ 9,680

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2013 and 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.

On April 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is April 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

No transitional adjustments were required to be recorded by the Foundation on adoption of Not-For-Profit Standards.

## 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 8.

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.



# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

### (c) 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.

### (d) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which exceed the estimated useful life of an asset are capitalized. When a capital asset contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value. 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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### (e) Fundraising expenses:

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

### (f) 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)

Years ended March 31, 2013 and 2012

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## 1. Significant accounting policies (continued):

### (g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (h) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and the valuation of accounts receivable. Actual results could differ from those estimates.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 2. Accounts receivable:

	March 31, 2013	March 31, 2012	April 1, 2011
General	\$ 194,969	\$ 139,498	\$ 137,659
HST tax rebate	56,524	95,532	33,108
	<u>\$ 251,493</u>	<u>\$ 235,030</u>	<u>\$ 170,767</u>

## 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.

## 4. Investments:

	Cost	2013 Market	Percentage of Total Market
Cash equivalents	\$ 2,563,197	\$ 2,563,143	8.9%
Fixed income	10,892,081	11,063,585	38.1%
Equities	14,435,134	15,387,113	53.0%
	<u>\$ 27,890,412</u>	<u>\$ 29,013,841</u>	<u>100.0%</u>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 4. Investments (continued):

	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%
	<b>\$ 23,945,216</b>	<b>\$ 24,161,298</b>	<b>100.0%</b>

	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%
	<b>\$ 25,289,919</b>	<b>\$ 26,215,473</b>	<b>100.0%</b>

	2013	2012
Change in investments during the year:		
(Decrease) increase in market values during the year	\$ 4,852,543	\$ (2,054,175)
Decrease (increase) in cost basis of investments in the year	(3,945,196)	1,344,703
	<b>\$ 907,347</b>	<b>\$ (709,472)</b>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 5. Capital assets:

March 31, 2013	Cost	Accumulated amortization	Net book value
Furniture, fixtures and leasehold improvements	\$ 153,685	\$ 109,688	\$ 43,997
Computer hardware	48,898	33,068	15,830
Computer software	37,028	32,792	4,236
	<u>\$ 239,611</u>	<u>\$ 175,548</u>	<u>\$ 64,063</u>

March 31, 2012	Cost	Accumulated amortization	Net book value
Furniture, fixtures and leasehold improvements	\$ 143,859	\$ 81,094	\$ 62,765
Computer hardware	37,157	24,573	12,584
Computer software	33,135	31,481	1,654
	<u>\$ 214,151</u>	<u>\$ 137,148</u>	<u>\$ 77,003</u>

April 1, 2011	Cost	Accumulated amortization	Net book value
Furniture, fixtures and leasehold improvements	\$ 110,518	\$ 56,170	\$ 54,348
Computer hardware	28,080	18,250	9,830
Computer software	31,150	31,150	-
	<u>\$ 169,748</u>	<u>\$ 105,570</u>	<u>\$ 64,178</u>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 6. Deferred revenue:

Deferred revenue related to expenses of future periods is comprised of unspent externally restricted grants and donations for specific programs:

	March 31, 2013	March 31, 2012
Balance, beginning of year	\$ 64,900	\$ 51,500
Less amount recognized as revenue in the year	(64,900)	(51,500)
Add amount received related to future periods	88,500	64,900
	<b>\$ 88,500</b>	<b>\$ 64,900</b>

## 7. 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.)

	March 31, 2013	March 31, 2012	April 1, 2011
Charlton Avenue site	\$ 417,488	\$ 5,346,844	\$ 4,591,005
Specific departments of St. Joseph's Healthcare Hamilton	6,481,205	5,525,136	4,534,703
Centre for Mountain Health Services	3,780,122	2,061,828	920,496
Centre for Ambulatory Health Services	16,247	85,418	16,621
	<b>\$10,695,062</b>	<b>\$13,019,226</b>	<b>\$ 10,062,825</b>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

## 7. Fund balances (continued):

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

	March 31, 2013	March 31, 2012	April 1, 2011
Original contributions - external	\$ 9,306,130	\$ 9,304,980	\$ 9,303,355
Income available for distribution	640,771	618,540	563,534
	<b>\$ 9,946,901</b>	<b>\$ 9,923,520</b>	<b>\$ 9,866,889</b>

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

	March 31, 2013	March 31, 2012	April 1, 2011
Unrestricted	\$ 9,781,840	\$ 7,032,178	\$ 6,751,631
	<b>\$30,423,803</b>	<b>\$29,974,924</b>	<b>\$ 26,681,345</b>

## 8. Fundraising programs:

	2013	2012
Major gifts	\$ 6,354,886	\$ 10,268,716
Special events	1,168,740	1,077,501
Planned giving	598,845	635,590
Other programs	352,720	283,131
Lottery	335,643	314,208
Direct mail	278,746	259,571
Memorial gifts	101,283	103,708
	<b>\$ 9,190,863</b>	<b>\$ 12,942,425</b>

The Foundation expects to receive outstanding pledges totaling \$13,505,780 over the next five years and \$4,174,795 thereafter.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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

	2013	2012
Capital and equipment	\$ 5,186,716	\$ 4,625,988
Research	1,370,216	1,545,286
Programs	734,520	264,871
Education	268,858	139,185
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	\$ 7,560,310	\$ 6,575,330

## 10. Related party transactions:

	2013	2012
Revenue includes amounts received from:		
St. Joseph's Healthcare Hamilton	\$ 5,325	\$ 31,733
St. Joseph's Villa	1,800	1,800
St. Joseph's Home Care	1,200	1,585
Grants:		
St. Joseph's Healthcare Hamilton	\$ 7,182,614	\$ 6,575,330

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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 and accruals is a payable to St. Joseph's Healthcare Hamilton for \$151,744 (March 31, 2012 - \$155,428; April 1, 2011 - \$139,429).

## 11. Contingency:

The Foundation has an outstanding letter of credit with its banker in the amount of \$214,500 (March 31, 2012 - \$187,200; April 1, 2011 - \$167,700) as at March 31, 2013 related to an on-going fundraising program.



# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Years ended March 31, 2013 and 2012

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## 12. Financial risks and concentration of credit risk:

(a) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Foundation's investment activities are applied in accordance with investment guidelines and monitored by management, the investment manager, and the Board of Directors.

(b) Currency risk:

The Foundation is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Foundation purchases investments in foreign currencies. The Foundation does not currently enter into forward contracts to mitigate this risk. There has been no change to the risk exposure from 2012.

(c) Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 4.