

Financial Statements of

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

Year ended March 31, 2015



KPMG LLP
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
Telefax (905) 523-2222
www.kpmg.ca

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, which comprise the statement of financial position as at March 31, 2015, 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 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 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 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, 2015, and its results of operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 18, 2015
Hamilton, Canada

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Financial Position

March 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 1,136,215	\$ 923,222
Accounts receivable (note 2)	187,770	444,760
Cash surrender value (note 3)	638,109	205,538
Investments (note 4)	35,090,162	30,614,846
Prepaid expenses and other assets	39,170	63,095
	<u>37,091,426</u>	<u>32,251,461</u>
Capital assets (note 5)	42,138	64,176
	<u>\$ 37,133,564</u>	<u>\$ 32,315,637</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals	\$ 310,027	\$ 310,849
Deferred revenue (note 6)	55,800	86,950
	<u>365,827</u>	<u>397,799</u>
Fund balances (note 7)	36,767,737	31,917,838
Contingency (note 11)		
	<u>\$ 37,133,564</u>	<u>\$ 32,315,637</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, 2015, with comparative information for 2014

	General Funds	Restricted Funds	Endowment Funds	2015 Total	2014 Total
Revenues:					
Fundraising programs (note 8) \$	4,903,772	\$ 6,640,498	\$ 23,200	\$ 11,567,470	\$ 9,278,826
Investment income	3,625,856	2,742	363,193	3,991,791	4,150,836
	8,529,628	6,643,240	386,393	15,559,261	13,429,662
Expenses:					
Fundraising	1,115,282	34,100	-	1,149,382	1,064,732
Operating and administration	2,466,106	-	-	2,466,106	2,318,932
	3,581,388	34,100	-	3,615,488	3,383,664
Excess of revenues over expenses before grants	4,948,240	6,609,140	386,393	11,943,773	10,045,998
Grants (note 9)	(2,521,601)	(4,193,101)	(379,172)	(7,093,874)	(8,551,963)
Excess of revenues over expenses	2,426,639	2,416,039	7,221	4,849,899	1,494,035
Fund balances, beginning of year	10,054,535	11,899,728	9,963,575	31,917,838	30,423,803
Inter-fund transfers	(20,004)	20,004	-	-	-
Fund balances, end of year	\$ 12,461,170	\$ 14,335,771	\$ 9,970,796	\$ 36,767,737	\$ 31,917,838

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Cash Flows

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations activities:		
Excess of revenue over expense	\$ 4,849,899	\$ 1,494,035
Non-cash items:		
Increase in unrealized gains on investments (note 4)	(1,369,964)	(3,007,431)
Amortization of capital assets	26,114	34,668
Increase in cash surrender value	(432,571)	(17,951)
Changes in non-cash working capital balances:		
Accounts receivable	256,990	(193,267)
Prepaid expenses and other assets	23,925	15,941
Accounts payable and accruals	(822)	49,432
Deferred revenue	(31,150)	(1,550)
	<u>3,322,421</u>	<u>(1,626,123)</u>
Investing activities:		
(Decrease) increase in cost of investments (note 4)	(3,105,352)	1,406,426
Purchase of capital assets	(4,076)	(34,781)
	<u>(3,109,428)</u>	<u>1,371,645</u>
Increase (decrease) in cash position	212,993	(254,478)
Cash position, beginning of year	923,222	1,177,700
Cash position, end of year	<u>\$ 1,136,215</u>	<u>\$ 923,222</u>
Supplemental cash flow information:		
Bank interest income received	\$ 17,100	\$ 16,979

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2015

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:

The Foundation prepares its financial statements in accordance with not-for-profit organizations in Part III of the CPA Handbook.

(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.

(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.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(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.

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

(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.

(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.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(g) Financial instruments (continued):

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.

2. Accounts receivable:

	2015	2014
General	\$ 131,901	\$ 350,013
HST tax rebate	55,869	94,747
	<u>\$ 187,770</u>	<u>\$ 444,760</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.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2015

4. Investments:

	Cost	2015 Market	Percentage of Total Market
Cash equivalents	\$ 25,890	\$ 25,873	0.1%
Fixed income	13,170,067	13,914,875	39.7%
Equities	16,393,381	21,149,414	60.3%
	\$ 29,589,338	\$ 35,090,162	100.0%

	Cost	2014 Market	Percentage of Total Market
Cash equivalents	\$ 52,908	\$ 52,869	0.2%
Fixed income	11,300,366	11,215,875	36.6%
Equities	15,130,712	19,346,102	63.2%
	\$ 26,483,986	\$ 30,614,846	100.0%

	2015	2014
Change in investments during the year:		
Increase in market values during the year	\$ 4,475,316	\$ 1,601,005
(Increase) decrease in cost basis of investments in the year	(3,105,352)	1,406,426
	\$ 1,369,964	\$ 3,007,431

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2015

5. Capital assets:

			2015	2014
	Accumulated cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and leasehold improvements	\$ 165,087	\$ 141,127	\$ 23,960	\$ 35,033
Computer hardware	64,635	52,965	11,670	17,102
Computer software	48,746	42,238	6,508	12,041
	\$ 278,468	\$ 236,330	\$ 42,138	\$ 64,176

6. Deferred revenue:

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

			2015	2014
Balance, beginning of year		\$	86,950	\$ 88,500
Less amount recognized as revenue in the current year			(86,950)	(88,500)
Add amount received related to future periods			55,800	86,950
		\$	55,800	\$ 86,950

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)

			2015	2014
Charlton Avenue site	\$	1,227,637	\$	1,015,371
Specific departments of St. Joseph's Healthcare Hamilton		11,148,928		7,438,591
Centre for Mountain Health Services		1,921,581		3,426,983
Centre for Ambulatory Health Services		37,625		18,783
	\$	14,335,771	\$	11,899,728

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2015

7. Fund balances (continued):

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

	2015	2014
Original contributions - external	\$ 9,310,680	\$ 9,309,680
Income available for distribution	660,116	653,895
	\$ 9,970,796	\$ 9,963,575

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

	2015	2014
Unrestricted	\$ 12,461,170	\$ 10,054,535

	2015	2014
Total Funds	\$ 36,767,737	\$ 31,917,838

8. Fundraising programs:

	2015	2014
Donations	\$ 9,675,989	\$ 7,484,110
Special events	1,410,888	1,358,371
Gaming and other	480,593	436,345
	\$ 11,567,470	\$ 9,278,826

The Foundation expects to receive outstanding pledges totaling \$16,921,745 over the next five years and \$1,843,250 thereafter.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2015

9. Grants:

	2015	2014
Capital and equipment	\$ 3,671,690	\$ 6,174,636
Research	2,435,352	1,665,717
Programs	510,034	631,899
Education	476,798	79,711
	<u>\$ 7,093,874</u>	<u>\$ 8,551,963</u>

10. Related party transactions:

	2015	2014
Revenue includes amounts received from:		
St. Joseph's Healthcare Hamilton	\$ 2,958	\$ 1,450
St. Joseph's Villa	3,250	2,600
St. Joseph's Home Care	-	1,300
Grants:		
St. Joseph's Healthcare Hamilton	6,335,736	7,590,262
St. Joseph's Health System	-	51,000

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 \$194,699 (2014 - \$236,656).

Subsequent to year end, an amount of \$344,568 was granted to St. Joseph's Healthcare Hamilton to fund a continuing research project.

11. Contingency:

The Foundation has an outstanding letter of credit with its banker in the amount of \$249,600 (2014 - \$249,600) as at March 31, 2015 related to an on-going fundraising program.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2015

12. Financial risks:

(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 2014.

(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.

13. Employee future benefits:

Substantially all full-time employees of the Foundation are members of the Healthcare Ontario Pension Plan (HOOPP). This plan is a multi-employer, defined benefit pension plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. As this is a multi-employer plan, no liability has been recorded on the Foundation's books.

The most recent actuarial valuation for accounting purposes was completed by HOOPP as at December 31, 2014. Their December 31, 2014 audited financial statements disclosed an actuarial value of net assets in the amount of \$53,873 million, with accrued benefits of \$46,923 million, resulting in a going concern surplus of \$6,950 million.