

Financial Statements of

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

Year ended March 31, 2016



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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, which comprise the statement of financial position as at March 31, 2016, 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, 2016, 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 23, 2016
Hamilton, Canada

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Financial Position

March 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 1,440,877	\$ 1,136,215
Accounts receivable (note 2)	141,654	187,770
Cash surrender value (note 3)	695,383	638,109
Investments (note 4)	30,714,049	35,090,162
Prepaid expenses and other assets	142,874	39,170
	<u>33,134,837</u>	<u>37,091,426</u>
Capital assets (note 5)	31,630	42,138
	<u>\$ 33,166,467</u>	<u>\$ 37,133,564</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals	\$ 1,157,476	\$ 310,027
Deferred revenue (note 6)	371,855	55,800
	<u>1,529,331</u>	<u>365,827</u>
Fund balances	31,637,136	36,767,737
Contingency (note 10)		
	<u>\$ 33,166,467</u>	<u>\$ 37,133,564</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, 2016, with comparative information for 2015

	General Funds	Restricted Funds	Endowment Funds	2016 Total	2015 Total
Revenues:					
Fundraising programs (note 7)	\$ 4,015,567	\$ 5,433,944	\$ 8,100	\$ 9,457,611	\$ 11,567,470
Investment income	(744,185)	1,849	351,750	(390,586)	3,991,791
	3,271,382	5,435,793	359,850	9,067,025	15,559,261
Expenses:					
Fundraising	867,109	18,996	-	886,105	1,149,382
Operating and administration	2,479,356	-	-	2,479,356	2,466,106
	3,346,465	18,996	-	3,365,461	3,615,488
Excess of revenues over expenses before grants	(75,083)	5,416,797	359,850	5,701,564	11,943,773
Grants (note 8)	(3,943,370)	(6,668,293)	(220,502)	(10,832,165)	(7,093,874)
(Deficiency) excess of revenues over expenses	(4,018,453)	(1,251,496)	139,348	(5,130,601)	4,849,899
Fund balances, beginning of year	12,461,170	14,335,771	9,970,796	36,767,737	31,917,838
Inter-fund transfers	(72,743)	72,743	-	-	-
Fund balances, end of year	\$ 8,369,974	\$ 13,157,018	\$ 10,110,144	\$ 31,637,136	\$ 36,767,737

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations activities:		
(Deficiency) excess of revenue over expense	\$ (5,130,601)	\$ 4,849,899
Non-cash items:		
Decrease (increase) in unrealized gains on investments (note 4)	3,579,458	(1,369,964)
Amortization of capital assets	23,948	26,114
Increase in cash surrender value	(57,274)	(432,571)
Changes in non-cash working capital balances:		
Accounts receivable	46,116	256,990
Prepaid expenses and other assets	(103,704)	23,925
Accounts payable and accruals	847,449	(822)
Deferred revenue	316,055	(31,150)
	(478,553)	3,322,421
Investing activities:		
Increase (decrease) in cost of investments (note 4)	796,655	(3,105,352)
Purchase of capital assets	(13,440)	(4,076)
	783,215	(3,109,428)
Increase in cash position	304,662	212,993
Cash position, beginning of year	1,136,215	923,222
Cash position, end of year	\$ 1,440,877	\$ 1,136,215
Supplemental cash flow information:		
Bank interest income received	\$ 11,055	\$ 17,100

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2016

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 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.

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

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, 2016

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, 2016

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:

	2016	2015
General	\$ 95,299	\$ 131,901
HST tax rebate	46,355	55,869
	<u>\$ 141,654</u>	<u>\$ 187,770</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, 2016

4. Investments:

	Cost	2016 Market	Percentage of Total Market
Cash equivalents	\$ 809	\$ 793	0.0%
Fixed income	13,902,263	13,973,851	45.5%
Equities	14,889,611	16,739,405	54.5%
	\$ 28,792,683	\$ 30,714,049	100.0%

	Cost	2015 Market	Percentage of Total Market
Cash equivalents	\$ 25,890	\$ 25,873	0.1%
Fixed income	13,170,067	13,914,875	39.6%
Equities	16,393,381	21,149,414	60.3%
	\$ 29,589,338	\$ 35,090,162	100.0%

	2016	2015
Change in investments during the year:		
(Decrease) increase in market values during the year	\$ (4,376,113)	\$ 4,475,316
Decrease (increase) in cost basis of investments in the year	796,655	(3,105,352)
	\$ (3,579,458)	\$ 1,369,964

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2016

5. Capital assets:

			2016	2015
	Accumulated cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and leasehold improvements	\$ 170,938	\$ 152,594	\$ 18,344	\$ 23,960
Computer hardware	72,224	60,901	11,323	11,670
Computer software	48,746	46,783	1,963	6,508
	\$ 291,908	\$ 260,278	\$ 31,630	\$ 42,138

6. Deferred revenue:

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

			2016	2015
Balance, beginning of year		\$	55,800	\$ 86,950
Less amount recognized as revenue in the current year			(55,800)	(86,950)
Add amount received related to future periods			371,855	55,800
		\$	371,855	\$ 55,800

The 2016 Around the Bay event was held after year end which has resulted in an additional \$290,220 in deferred revenue during the year.

7. Fundraising programs:

			2016	2015
Donations	\$		8,219,022	\$ 9,675,989
Special events			734,692	1,410,888
Gaming and other			503,897	480,593
		\$	9,457,611	\$ 11,567,470

The Foundation expects to receive outstanding pledges totaling \$16,584,405 over the next five years and \$727,895 thereafter.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2016

8. Grants:

	2016	2015
Capital and equipment	\$ 5,597,939	\$ 3,671,690
Research	4,512,602	2,435,352
Programs	642,330	510,034
Education	79,294	476,798
	<u>\$ 10,832,165</u>	<u>\$ 7,093,874</u>

9. Related party transactions:

	2016	2015
Revenue includes amounts received from:		
St. Joseph's Healthcare Hamilton	\$ 500	\$ 2,958
St. Joseph's Villa	2,600	3,250
Cost recovery from:		
St. Joseph's Health Centre Foundation Guelph	84,950	-
Grants:		
St. Joseph's Healthcare Hamilton	10,229,634	6,335,736

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 balance due to St. Joseph's Healthcare Hamilton for \$1,062,711 (2015 - \$194,699).

Included in accounts receivable is a balance due from St. Joseph's Health Centre Foundation (Guelph) for \$66,874 (2015 - \$nil). This balance relates to administration, and management services as well as IT and system enhancements provided to the St. Joseph's Health Centre Foundation (Guelph) restructuring.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2016

10. Contingency:

The Foundation has two outstanding letters of credit with its banker in the amount of \$249,600 (2015 - \$249,600) and \$273,000 (2015 - \$nil) as at March 31, 2016 related to on-going fundraising programs. These letters of credit have due dates of May 9, 2016 and May 8, 2017 respectively.

11. 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 2015.

(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.

12. 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, 2015. Their December 31, 2015 audited financial statements disclosed an actuarial value of net assets in the amount of \$59,998 million, with accrued benefits of \$49,151 million, resulting in a going concern surplus of \$10,847 million.