

Financial Statements of

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

Year ended March 31, 2018



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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, 2018, 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, 2018, 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

Hamilton, Canada

June 21, 2018

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 478,554	\$ 1,503,379
Accounts receivable (note 2)	1,397,274	187,332
Cash surrender value (note 3)	822,685	770,886
Investments (note 4)	31,392,441	30,929,851
Prepaid expenses and other assets	97,450	53,133
	<u>34,188,404</u>	<u>33,444,581</u>
Capital assets (note 5)	43,230	36,815
	<u>\$ 34,231,634</u>	<u>\$ 33,481,396</u>

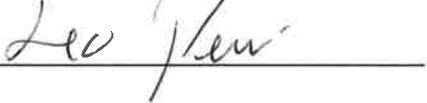
Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals	\$ 879,358	\$ 840,716
Deferred revenue (note 6)	46,958	48,184
	<u>926,316</u>	<u>888,900</u>
Fund balances	33,305,318	32,592,496
Contingency (note 10)		
	<u>\$ 34,231,634</u>	<u>\$ 33,481,396</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, 2018, with comparative information for 2017

	General Funds	Restricted Funds	Endowment Funds	2018 Total	2017 Total
Revenues:					
Fundraising programs (note 7)	\$ 5,360,853	\$ 7,043,929	\$ 7,079	\$ 12,411,861	\$ 12,258,618
Investment income	941,018	2,287	364,425	1,307,730	3,452,207
	<u>6,301,871</u>	<u>7,046,216</u>	<u>371,504</u>	<u>13,719,591</u>	<u>15,710,825</u>
Expenses:					
Fundraising	1,058,419	27,422	-	1,085,841	1,229,040
Operating and administration	2,739,122	-	-	2,739,122	2,494,623
	<u>3,797,541</u>	<u>27,422</u>	<u>-</u>	<u>3,824,963</u>	<u>3,723,663</u>
Excess of revenues over expenses before grants	2,504,330	7,018,794	371,504	9,894,628	11,987,162
Grants (note 8)	<u>3,707,635</u>	<u>5,133,087</u>	<u>341,084</u>	<u>9,181,806</u>	<u>11,031,802</u>
(Deficiency) excess of revenues over expenses	(1,203,305)	1,885,707	30,420	712,822	955,360
Fund balances, beginning of year	9,909,007	12,688,723	9,994,766	32,592,496	31,637,136
Inter-fund transfers	(590,876)	590,876	-	-	-
Fund balances, end of year	<u>\$ 8,114,826</u>	<u>\$ 15,165,306</u>	<u>\$ 10,025,186</u>	<u>\$ 33,305,318</u>	<u>\$ 32,592,496</u>

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations activities:		
Excess of revenue over expense	\$ 712,822	\$ 955,360
Non-cash items:		
Decrease (increase) in unrealized gains on investments (note 4)	680,013	(846,972)
Amortization of capital assets	18,103	20,028
Increase in cash surrender value	(51,799)	(75,503)
Changes in non-cash working capital balances:		
Accounts receivable	(1,209,942)	(45,678)
Prepaid expenses and other assets	(44,317)	89,741
Accounts payable and accruals	38,642	(316,760)
Deferred revenue	(1,226)	(323,671)
	142,296	(543,455)
Investing activities:		
(Increase) decrease in cost basis of investments (note 4)	(1,142,603)	631,170
Purchase of capital assets	(24,518)	(25,213)
	(1,167,121)	605,957
(Decrease) increase in cash position	(1,024,825)	62,502
Cash position, beginning of year	1,503,379	1,440,877
Cash position, end of year	\$ 478,554	\$ 1,503,379
Supplemental cash flow information:		
Bank interest income received	\$ 17,534	\$ 18,895

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2018

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.

A portion of the Restricted Funds consist of net assets to be used in accordance with an internal policy established to provide for the financial sustainability and stability of the Foundation's operations, as well as, allow for enhancement of hospital programs in response to future needs. Funding will be provided from unrestricted monies, on a systematic basis, until the fund reaches a balance of \$1,500,000. The current balance of the fund is \$463,280 (2017 – \$nil).

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 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.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

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.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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)

Year ended March 31, 2018

2. Accounts receivable:

	2018	2017
General	\$ 1,330,053	\$ 138,095
HST tax rebate	67,221	49,237
	<u>\$ 1,397,274</u>	<u>\$ 187,332</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	2018 Market	Percentage of Total Market
Cash equivalents	\$ 815	\$ 815	0.0%
Fixed income	14,439,866	13,891,376	44.3%
Equities	14,863,435	17,500,250	55.7%
	<u>\$ 29,304,116</u>	<u>\$ 31,392,441</u>	<u>100.0%</u>

	Cost	2017 Market	Percentage of Total Market
Cash equivalents	\$ 811	\$ 810	0.0%
Fixed income	14,293,096	13,997,970	45.3%
Equities	13,867,606	16,931,071	54.7%
	<u>\$ 28,161,513</u>	<u>\$ 30,929,851</u>	<u>100.0%</u>

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Investments (continued):

	2018	2017
Change in investments during the year:		
Increase in market values during the year	\$ 462,590	\$ 215,802
(Increase) decrease in cost basis of investments in the year	(1,142,603)	631,170
	\$ (680,013)	\$ 846,972

5. Capital assets:

	2018		2017	
	Accumulated cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and leasehold improvements	\$ 197,821	\$ 170,584	\$ 27,237	\$ 19,311
Computer hardware	95,072	79,079	15,993	17,504
Computer software	48,746	48,746	-	-
	\$ 341,639	\$ 298,409	\$ 43,230	\$ 36,815

6. Deferred revenue:

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

	2018	2017
Balance, beginning of year	\$ 48,184	\$ 371,855
Less amount recognized as revenue in the current year	(48,184)	(371,855)
Add amount received related to future periods	46,958	48,184
	\$ 46,958	\$ 48,184

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Fundraising programs:

	2018	2017
Donations	\$ 10,120,796	\$ 9,589,751
Special events	1,722,058	2,103,589
Gaming and other	569,007	565,278
	\$ 12,411,861	\$ 12,258,618

The Foundation expects to receive outstanding pledges totaling \$10,108,370 over the next five years and \$301,725 thereafter.

8. Grants:

	2018	2017
Capital and equipment	\$ 4,807,105	\$ 6,534,944
Research	3,527,647	3,903,795
Programs	732,228	190,181
Education	114,826	402,882
	\$ 9,181,806	\$ 11,031,802

9. Related party transactions:

	2018	2017
Revenue includes amounts received/receivable from:		
St. Joseph's Healthcare Hamilton	\$ 1,202,050	\$ 1,784
St. Joseph's Villa	2,600	2,600
Cost recovery from:		
St. Joseph's Health Centre Foundation Guelph	\$ 96,060	\$ 85,940
Grants:		
St. Joseph's Healthcare Hamilton	\$ 8,231,390	\$ 10,370,129
St. Joseph's Villa	454,000	50,000

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 balance due to St. Joseph's Healthcare Hamilton for \$462,784 (2017 - \$351,062) and an amount due to St. Joseph's Health Centre Foundation (Guelph) for \$nil (2017 - \$5,401).

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Related party transactions (continued):

Included in accounts receivable is a balance due from St. Joseph's Health Centre Foundation (Guelph) for \$37,945 (2017 - \$nil). This balance relates to administration, IT and management services provided to the St. Joseph's Health Centre Foundation (Guelph).

10. Contingency:

The Foundation has one outstanding letter of credit with its banker in the amount of \$273,000 (2017 – two letters both in the amount of \$273,000) as at March 31, 2018 related to on-going fundraising programs. This letter of credit has a due date of May 7, 2018.

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 2017.

(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.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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, 2016. Their December 31, 2016 audited financial statements disclosed an actuarial value of net assets in the amount of \$72,803 million, with accrued benefits of \$59,602 million, resulting in a going concern surplus of \$13,201 million.