

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2022



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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

### ***Opinion***

We have audited the financial statements of St. Joseph's Healthcare Foundation, Hamilton, (the Entity), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations and changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the statement of financial position of the Entity as at March 31, 2022, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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



### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 15, 2022

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash	\$ 2,975,089	\$ 4,592,863
Accounts receivable (note 2, 10)	173,226	254,932
Cash surrender value (note 3)	1,131,586	1,052,940
Investments (note 4)	39,640,239	34,619,628
Prepaid expenses and other assets	11,185	30,476
	<u>43,931,325</u>	<u>40,550,839</u>
Capital assets (note 5)	47,505	65,804
	<u>\$ 43,978,830</u>	<u>\$ 40,616,643</u>

## Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals (note 10)	\$ 901,487	\$ 650,810
Deferred revenue (note 6)	22,649	71,577
	<u>924,136</u>	<u>722,387</u>
Fund balances	43,054,694	39,894,256
	<u>\$ 43,978,830</u>	<u>\$ 40,616,643</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, 2022, with comparative information for 2021

	General Funds	Restricted Funds	Endowment Funds	2022 Total	2021 Total
<b>Revenues:</b>					
Fundraising programs (note 7)	\$ 3,268,346	\$ 8,791,652	\$ 10,075	\$ 12,070,073	\$ 14,904,609
Investment income (note 8)	2,071,429	1,103	352,846	2,425,378	4,910,439
Other income (note 13)	95,009	–	–	95,009	344,712
	<u>5,434,784</u>	<u>8,792,755</u>	<u>362,921</u>	<u>14,590,460</u>	<u>20,159,760</u>
<b>Expenses:</b>					
Fundraising	1,120,384	39,176	–	1,159,560	870,631
Operating and administration	3,043,955	–	–	3,043,955	2,901,071
	<u>4,164,339</u>	<u>39,176</u>	<u>–</u>	<u>4,203,515</u>	<u>3,771,702</u>
Excess of revenues over expenses before grants	1,270,445	8,753,579	362,921	10,386,945	16,388,058
Grants (note 9)	995,033	5,901,036	330,438	7,226,507	8,780,327
Excess of revenues over expenses	275,412	2,852,543	32,483	3,160,438	7,607,731
Fund balances, beginning of year	7,517,082	22,464,287	9,912,887	39,894,256	32,286,525
Inter-fund transfers	133,044	(133,044)	–	–	–
Fund balances, end of year	<u>\$ 7,925,538</u>	<u>\$ 25,183,786</u>	<u>\$ 9,945,370</u>	<u>\$ 43,054,694</u>	<u>\$ 39,894,256</u>

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

## Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operations activities:		
Excess of revenues over expense	\$ 3,160,438	\$ 7,607,731
Non-cash items:		
Increase in unrealized gains on investments (note 4)	(397,335)	(3,075,500)
Amortization of capital asset	25,333	22,194
Increase in cash surrender value	(78,646)	(42,992)
Changes in non-cash working capital balances:		
Accounts receivable	81,706	(135,438)
Prepaid expenses and other assets	19,291	12,991
Accounts payable and accruals	250,677	(74,720)
Deferred revenue	(48,928)	(207,101)
	<u>3,012,536</u>	<u>4,107,165</u>
Investing activities:		
Increase in cost basis of investments (note 4)	(4,623,276)	(2,133,963)
Purchase of capital assets	(7,034)	(40,297)
	<u>(4,630,310)</u>	<u>(2,174,260)</u>
(Decrease) increase in cash position	(1,617,774)	1,932,905
Cash position, beginning of year	4,592,863	2,659,958
Cash position, end of year	<u>\$ 2,975,089</u>	<u>\$ 4,592,863</u>
Supplemental cash flow information:		
Bank interest income received	\$ 18,327	\$ 18,204

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2022

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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 for the benefit of St. Joseph's Healthcare Hamilton.

## 1. Significant accounting policies:

The Foundation prepares its financial statements in accordance with Canadian Accounting Standards for 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.

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 sufficient level as assessed on an on-going basis. The current balance of the fund is \$2,343,000 (2021 - \$1,894,625).

The remaining 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 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, 2022

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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 extend the estimated useful life of an asset are capitalized. When a capital asset ceases to contribute 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, 2022

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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. Actual results could differ from those estimates.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 2. Accounts receivable:

	2022	2021
General	\$ 127,611	\$ 208,114
HST tax rebate	45,615	46,818
	<u>\$ 173,226</u>	<u>\$ 254,932</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	2022 Market	Percentage of Total Market
Cash equivalents	\$ 361	\$ 361	0.0%
Fixed income	17,267,397	15,815,859	39.9%
Equities	19,545,059	23,824,019	60.1%
	<u>\$ 36,812,817</u>	<u>\$ 39,640,239</u>	<u>100.0%</u>

	Cost	2021 Market	Percentage of Total Market
Cash equivalents	\$ 1,098,217	\$ 1,098,217	3.2%
Fixed income	14,603,452	14,399,403	41.6%
Equities	16,487,872	19,122,008	55.2%
	<u>\$ 32,189,541</u>	<u>\$ 34,619,628</u>	<u>100.0%</u>

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 4. Investments (continued):

	2022	2021
Change in investments during the year:		
Increase in market values during the year	\$ 5,020,611	\$ 5,209,463
(Increase) in cost basis of investments in the year	(4,623,276)	(2,133,963)
	\$ 397,335	\$ 3,075,500

## 5. Capital assets:

	2022		2021	
	Accumulated cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and leasehold improvements	\$ 225,787	\$ 204,124	\$ 21,663	\$ 28,574
Computer hardware	151,247	128,274	22,973	32,982
Computer software	54,323	51,454	2,869	4,248
	\$ 431,357	\$ 383,852	\$ 47,505	\$ 65,804

## 6. Deferred revenue:

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

	2022	2021
Balance, beginning of year	\$ 71,577	\$ 278,678
Less amount recognized as revenue in the current year	(71,577)	(278,678)
Add amount received related to future periods	22,649	71,577
	\$ 22,649	\$ 71,577

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 7. Fundraising programs:

	2022	2021
Donations	\$ 9,680,937	\$ 13,066,341
Special events	1,379,965	1,020,640
Gaming and other	1,009,171	817,628
	\$ 12,070,073	\$ 14,904,609

The Foundation expects to receive outstanding pledges totaling \$4,749,132 over the next five years.

## 8. Investment income:

	2022	2021
Unrealized gains on investments	\$ 397,335	\$ 3,075,500
Realized gains on sales of investments	999,092	956,173
Investment Income	1,028,951	878,766
	\$ 2,425,378	\$ 4,910,439

## 9. Grants:

	2022	2021
Capital and equipment	\$ 2,521,630	\$ 5,031,940
Research	3,675,846	3,118,439
Programs	922,312	576,888
Education	106,719	53,060
	\$ 7,226,507	\$ 8,780,327

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2022

## 10. Related party transactions:

	2022	2021
Contributions includes amounts received/receivable from:		
St. Joseph's Healthcare Hamilton	\$ –	\$ 2,000,000
Payroll processed on behalf of Foundation:		
St. Joseph's Healthcare Hamilton	2,616,307	2,372,236
Cost recovered through Management Service Agreement:		
St. Joseph's Health Centre Foundation Guelph		
Management salary and benefits	71,545	68,890
Administrative services and cost recoveries	81,884	78,088
Grants:		
St. Joseph's Healthcare Hamilton	4,036,744	6,209,420
Research St. Joseph's – Hamilton	2,672,788	2,032,406
St. Joseph's Health System	–	31,250

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

St. Joseph's Healthcare Hamilton processes payroll on behalf of the Foundation and as such the Foundation reimburses the St. Joseph's Healthcare Hamilton for costs paid on its behalf. Included in accounts payable and accruals is a balance due to St. Joseph's Healthcare Hamilton of \$345,476 (2021 - \$250,292) which relate to payroll, including related government remittance amounts as well as other operating charges.

Included in accounts receivable is a balance due from St. Joseph's Health Centre Foundation (Guelph) for \$7,054 (2021 - \$11,826). This balance relates to administration, IT and management services provided to the St. Joseph's Health Centre Foundation (Guelph) under a management services agreement. The five-year term of the agreement expires in June 2025 with an automatic renew for an additional two years.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 11. Financial risks:

The Foundation manages its investment portfolio to earn investment income and invests according to a Statement of Investment Policy approved by The Board. The Organization is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation believes that it is not exposed to significant interest-rate, market, credit or cash flow risk arising from its financial instruments. There has been no change to the risk exposure from 2021.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments. There has been no change to the risk exposure from 2021.

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Foundation's overall currency positions are monitored by the portfolio manager. There has been no change to the risk exposure from 2021.

## 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, 2021. Their December 31, 2021 audited financial statements disclosed an actuarial value of net assets in the amount of \$103,469 million, with accrued benefits of \$85,902 million, resulting in a going concern surplus of \$17,567 million.

# ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2022

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## 13. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in governments worldwide, including the Canadian federal and provincial governments, enacting emergency measures to combat the spread of the virus. The COVID-19 pandemic has impacted the Foundation's operations, including:

- mandatory working from home requirements for those able to do so;
- hold on hiring and a freeze on wages;
- revised budgets and operating plans to reflect the changing environment;
- deferral or cancellation of fundraising events; and
- new fundraising initiatives aimed at supporting the impact of COVID-19 on St. Joseph's Healthcare Hamilton.

The Government of Canada has introduced measures to support organizations experiencing financial challenges resulting from the COVID-19 pandemic and to support employment and rent. Two of these initiatives are the Canadian Emergency Wage Subsidy (CEWS) and Temporary Wage Subsidy (TWS) programs for which the Foundation submitted and received claims in the aggregate amount of \$95,009 (2021 - \$344,712) during the year. The CEWS funding has been recorded as other income in the statement of operations.

The current economic climate, presents uncertainty over future cash flows, may cause significant changes to the Foundation's assets or liabilities, and may have a significant impact on future operations. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and financial effect on the Foundation is not known. An estimate of the financial effect is not practicable at this time.