

Financial Statements of

**ST. JOSEPH'S HEALTH CARE  
FOUNDATION OF LONDON**

Year ended March 31, 2018



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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of St. Joseph's Health Care Foundation of London

We have audited the accompanying financial statements of St. Joseph's Health Care Foundation of London, which comprise the balance sheet as at March 31, 2018 and 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 controls. 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 Health Care Foundation of London as at March 31, 2018 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.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 20, 2018

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

## Balance Sheet

March 31, 2018, with comparative information for 2017

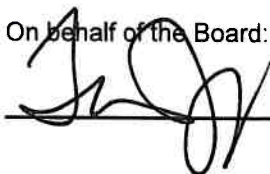
	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 1,039,943	\$ 2,046,328
Accounts receivable	60,781	53,970
Prepaid expenses	53,880	55,206
	<u>1,154,604</u>	<u>2,155,504</u>
Investments (note 3)	80,031,220	73,066,775
Equipment (note 4)	39,449	50,363
Investment in joint venture (note 5)	839,386	839,386
	<u>\$ 82,064,659</u>	<u>\$ 76,112,028</u>

## Liabilities and Fund Balances

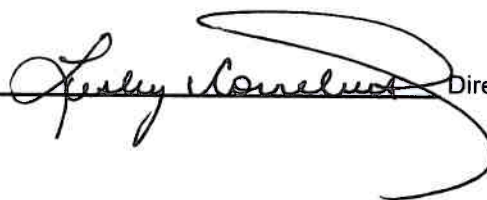
Current liabilities:		
Accounts payable	\$ 380,423	\$ 743,231
Deferred contributions:		
Deferred revenue	293,429	284,644
Fund balances:		
Unrestricted	3,544,859	2,324,354
Restricted	19,036,945	14,561,049
Endowment	58,809,003	58,198,750
	<u>81,390,807</u>	<u>75,084,153</u>
Contingency (note 8)		
	<u>\$ 82,064,659</u>	<u>\$ 76,112,028</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

## ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

### Statement of Operations and Changes in Fund Balances

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

	Unrestricted Fund	Restricted Fund	Endowment Fund	2018 Total	2017 Total
<b>Revenue:</b>					
Donations	\$ 756,786	\$ 7,920,718	\$ 294,352	\$ 8,971,856	\$ 10,344,696
Special events (note 5)	1,411,419	635,090	-	2,046,509	1,554,343
Investment income	807,562	-	2,147,864	2,955,426	7,014,553
	2,975,767	8,555,808	2,442,216	13,973,791	18,913,592
<b>Expenses:</b>					
Salaries and benefits	2,298,874	-	-	2,298,874	2,427,196
Direct fund raising and operating costs	827,991	226,154	610	1,054,755	1,161,561
Indirect expense allocation (note 7)	(1,372,823)	685,557	687,266	-	-
	1,754,042	911,711	687,876	3,353,629	3,588,757
Excess of revenue over expenses	1,221,725	7,644,097	1,754,340	10,620,162	15,324,835
Grants disbursed	1,220	3,168,201	1,144,087	4,313,508	8,192,621
Change in fund balances	1,220,505	4,475,896	610,253	6,306,654	7,132,214
Fund balances, beginning of year	2,324,354	14,561,049	58,198,750	75,084,153	67,951,939
Fund balances, end of year	\$ 3,544,859	\$ 19,036,945	\$ 58,809,003	\$ 81,390,807	\$ 75,084,153

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

## Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 10,620,162	\$ 15,324,835
Grants	(4,313,508)	(8,192,621)
Adjustments for:		
Amortization of equipment	11,485	14,849
Changes in non-cash operating working capital:		
Accounts receivable	(6,811)	(14,830)
Prepaid expenses	1,326	(46,261)
Restricted cash	-	4,060,327
Accounts payable	(362,808)	152,371
Other liability	-	(4,060,327)
Deferred revenue	8,785	66,216
	5,958,631	7,304,559
Investing activities:		
Change in investments, net (note 3)	(6,964,445)	(6,036,824)
Purchase of equipment	(571)	(708)
	(6,965,016)	(6,037,532)
Increase (decrease) in cash	(1,006,385)	1,267,027
Cash, beginning of year	2,046,328	779,301
Cash, end of year	\$ 1,039,943	\$ 2,046,328

See accompanying notes to financial statements.

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

## Notes to Financial Statements

Year ended March 31, 2018

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St. Joseph's Health Care Foundation of London (the "Foundation") is incorporated under the laws of Ontario as a corporation without share capital. The Foundation was established to support research and education initiatives, to fund new and innovative programs, and for the purchase of specialized equipment at all sites of St. Joseph's Health Care, London.

The Foundation is a registered charity and is classified as a public foundation under section 149.1(l)(g) of the Income Tax Act (Canada) (the "Act"). Under the provision of the Act, the Foundation is exempt from taxes on income. In order to maintain its status as a public Foundation under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

### **1. Basis of presentation:**

The Foundation follows the restricted fund method of accounting for contributions. The principles of fund accounting are used to ensure observance of limitations and restrictions placed on the use of resources and to appropriately match expenditures with related revenues. Resources are classified into funds that are in accordance with specified activities or objectives and these have been summarized under the following fund groups:

- (i) The Unrestricted Fund accounts for the receipt and expenditure of donations or bequests that are not specifically designated to a program or project. Received gifts to the Foundation, not restricted by the donors, unrestricted investment income and certain Foundation expenses are allocated to the Unrestricted Fund.
- (ii) The Restricted Fund accounts for the receipt and expenditure of donations or bequests that have been restricted by the donor. Revenue of the Restricted Fund is limited to donor restricted contributions. Operating expenses are allocated to the Restricted Fund according to the Foundation's Revenue and Expenses Allocation Policy.
- (iii) The Endowment Fund accounts for the receipt of donations or bequests that have been endowed by the donor or internally endowed by the Board of Directors. Revenue of the Endowment Fund is limited to amounts that have been designated for endowment purposes by the external donor. The balance in the Endowment Fund includes original contributions plus accumulated investment income, net of administrative expenses. The Foundation's Endowment Management Policy ensures that the purchasing power of original contributions is protected against the impact of inflation. Grants are made out of the available portion of the Endowment Fund providing the purchasing power of original contributions is preserved. Investment income is allocated to the Endowment Fund annually, based on the average fund balance during the year.

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 2. Significant accounting policies:

### (a) Revenue recognition:

Bequests and donations are recorded in the statement of operations of the respective Fund in the year received or receivable if the amount to be recorded can be reasonably estimated and collection is reasonably assured. Pledges for future bequests and donations are not recognized until the pledge commitments are realized.

Revenue received prior to the fiscal year end, for special events that do not occur until after the fiscal year end, are recorded as deferred revenue as at March 31. The revenue is recognized when the event occurs and the Foundation has delivered its commitments to participants and sponsors.

### (b) Investments:

Investments are recorded at market value. Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values, determined using closing market prices. Unrealized gains and losses arising on changes in the market value of the investments are included in the statement of operations as investment income.

### (c) Equipment:

Computer and office equipment is stated at cost less accumulated amortization. Amortization is provided on a declining balance basis over the estimated useful life of the assets at rates varying from 20% to 30% per annum.

### (d) Contributed services:

Volunteers contribute significant amounts of time each year to the Foundation. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.



# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 2. Significant accounting policies (continued):

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. Investments are carried 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.

### (f) Capital management:

In managing capital, the Foundation focuses on liquid resources available for operations. The capital objective is to have sufficient liquid resources to continue operations in accordance with the Foundation's mission, despite adverse financial events, and to provide resources to take advantage of opportunities. The need for sufficient liquid resources is considered in the preparation of the annual budget, the regular monitoring of cash flows, the comparison of actual results to budget, and adherence with the approved investment policy.

### (g) Use of estimates:

The preparation of financial statements in accordance with accounting standards for not-for-profit organizations 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2018

## 3. Investments:

Investments at market value as at March 31, consist of the following:

	2018	2017
Short-term portfolio	\$ 134,936	\$ 18,452
Bonds	27,674,572	26,407,407
Equities:		
Canadian	12,591,079	12,813,808
International	23,631,738	19,126,110
	36,222,817	31,939,918
Real estate	6,447,572	6,466,378
Diversified hedge funds	9,111,655	7,818,633
Cash surrender value of life insurance policies	439,668	415,987
	\$ 80,031,220	\$ 73,066,775

## 4. Equipment:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer	\$ 128,509	\$ 108,103	\$ 20,406	\$ 27,650
Office	79,362	60,319	19,043	22,713
	\$ 207,871	\$ 168,422	\$ 39,449	\$ 50,363

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 5. Investment in joint venture:

On January 1, 2013, the Foundation entered into a joint venture agreement with the London Health Sciences Centre Foundation and Children's Hospital Foundation ("Venturers"). The purpose of the joint venture is the operation of community lotteries. Significant terms of the agreement are as follows:

- (i) The Foundation's interest in the joint venture is 33.33% with lottery proceeds being shared equally between the Venturers.
- (ii) Funding for a required lottery letter of credit and seed money for future lottery expenses totaling \$839,386 was contributed to the joint venture by the Foundation in 2013. These funds will be maintained in the joint venture.
- (iii) All lottery proceeds are distributed to the Venturers each year. As a result, the Foundation's investment in the joint venture will remain unchanged year-to-year at \$839,386.
- (iv) The Foundation's share of net proceeds from the joint venture of \$971,410 (2017 - \$543,533) is recorded in special events revenue in the statement of operations and changes in fund balances.

The Foundation accounts for the investment in the joint venture following the equity method of accounting.

Financial results of the lotteries operated in the joint venture are summarized as follows:

	2018
Revenue	\$ 9,883,333
Expenses	6,969,104
Net proceeds	2,914,229
Net proceeds attributable to other Venturers	1,942,819
Net proceeds attributable to the Foundation	\$ 971,410

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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

Associated risks:

### (a) Market price risk:

Market price risk is the risk that value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Foundation's financial instruments are carried at fair value with fair value changes recognized in the statement of operations and changes in fund balances. Market price risk is managed by the Investment managers through construction of a diversified portfolio of instruments traded on various markets and across various industries. There have been no changes to the risk exposures from 2017.

### (b) Foreign currency risk:

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Foundation invests in financial instruments and enters into transactions denominated in non-Canadian dollars. Consequently, the Foundation is exposed to risks that the exchange rate of the foreign currency may change in a manner that has an adverse affect on the value of the portion of the Foundation's assets or liabilities denominated in currencies other than Canadian dollars. The Foundation's overall currency positions and exposures are monitored on a regular basis. There have been no changes to the risk exposures from 2017.

### (c) Interest rate risk:

A portion of the Foundation's financial assets and liabilities are interest bearing and as a result, the Foundation is subject to a certain level of interest rate risk. In general, bond returns are sensitive to changes in the level of interest rates, with longer bond prices being more sensitive to interest rate changes than shorter term bonds.

Fixed rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject the Foundation to a cash flow risk. There have been no changes to the risk exposures from 2017.

# ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2018

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## 6. Financial risks and concentration of credit risk (continued):

### (d) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There have been no changes to the risk exposures from 2017.

### (e) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Foundation is exposed to credit risk with respect to accounts receivable and investments. The Foundation assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Foundation also invests in investments in accordance with its investment policy. There have been no changes to the risk exposures from 2017.

## 7. Allocation of indirect expenses:

Indirect expense allocation, which include costs incurred for salaries and benefits, investment manager fees, and other costs for the Endowment, Restricted and Unrestricted Funds are allocated based on the policy of administering a 3% administration charge for restricted funds and a 1% administration charge for most endowed funds which approximates the costs incurred to administer the programs.

In addition, an expense allocation will be made to Restricted Funds for specific cases within certain campaigns, as funds are received.

## 8. Contingency:

In the course of undertaking lotteries and raffles, the Foundation is obligated to provide letters of guarantee in favour of the City of London (the "City"). At March 31, 2018, a letter of guarantee was outstanding, totaling \$31,698 (2017 - \$31,170).