Financial Statements of

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Year ended March 31, 2011

KPMG

KPMG LLP
Chartered Accountants
140 Fullarton Street Suite 1400
PO Box 2305
London ON N6A 5P2
Canada

Telephone (519) 672-4880
Fax (519) 672-5684
Internet www.kpmg.ca

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, 2011 and the statements of earnings 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 generally accepted accounting principles, 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, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 25, 2011

London, Canada

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Balance Sheet

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	$ 3,755,529	$ 1,322,605
Accounts receivable	123,264	170,329
Accrued interest receivable	1,500	374
Prepaid expenses	180,061	214,032
	4,060,354	1,707,340
Investments (note 3)	48,113,005	47,872,341
Equipment (note 4)	67,015	68,428
	$ 52,240,374	$ 49,648,109
Liabilities and Fund Balances		
Current liability:		
Accounts payable	$ 449,982	$ 450,773
Deferred contributions:		
Deferred revenue	390,533	334,863
Fund balances		
Unrestricted	1,667,376	1,311,196
Restricted	4,694,681	7,286,339
Endowment	45,037,802	40,264,938
	51,399,859	48,862,473
	$ 52,240,374	$ 49,648,109

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, 2011, with comparative figures for 2010

	2011 Total	Unrestricted Fund	Restricted Fund	Endowment Fund	2010 Total
Revenue:					
Donations	$ 4,617,559	$ 1,090,466	$ 1,866,108	$ 1,660,985	$ 8,220,810
Special events	1,501,521	1,155,690	345,831	-	1,674,679
Investment gains	4,951,650	921,933	-	4,029,717	7,082,220
	11,070,730	3,168,089	2,211,939	5,690,702	16,977,709
Expenses:					
Salaries and benefits	1,957,324	1,957,324	-	-	2,026,392
Direct fund raising and operating costs	1,135,240	1,044,637	90,603	-	1,488,059
Indirect expense allocation (note 6)	-	(523,702)	165,181	358,521	-
	3,092,564	2,478,259	255,784	358,521	3,514,451
Excess of revenue over expenses	7,978,166	689,830	1,956,155	5,332,181	13,463,258
Grants disbursed	5,237,852	280,075	4,439,723	518,054	4,245,367
Grants to other qualified donees (note 8)	202,928	53,575	108,090	41,263	-
	5,440,780	333,650	4,547,813	559,317	4,245,367
Change in fund balances	2,537,386	356,180	(2,591,658)	4,772,864	9,217,891
Fund balances, beginning of year	48,862,473	1,311,196	7,286,339	40,264,938	39,644,582
Fund balances, end of year	$ 51,399,859	$ 1,667,376	$ 4,694,681	$ 45,037,802	$ 48,862,473

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 7,978,166	$ 13,463,258
Grants	(5,440,780)	(4,245,367)
Adjustment for:		
Amortization of equipment	19,928	22,788
Changes in non-cash operating working capital:		
Accounts receivable	47,065	55,860
Accrued interest receivable	(1,126)	941
Prepaid expenses	33,971	184,179
Accounts payable	(791)	203,594
Deferred revenue	55,670	(205,354)
	2,692,103	9,479,899
Investing activities:		
Investments, net	(240,664)	(9,309,712)
Purchase of equipment	(18,515)	(7,037)
	(259,179)	(9,316,749)
Increase in cash	2,432,924	163,150
Cash, beginning of year	1,322,605	1,159,455
Cash, end of year	$ 3,755,529	$ 1,322,605

See accompanying notes to financial statements.

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 on April 1, 2005 as the result of the amalgamation of the former St. Joseph's Health Care Foundation of London and Parkwood Hospital Foundation of London, Ontario. The Foundation uses its resources 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. Receipted 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 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 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.

1. Basis of presentation (continued):

An administration fee is charged by the Unrestricted Fund to the Restricted Fund and Endowment Fund in accordance with the Foundation's Endowment Management Policy and Revenue and Expense Allocation Policy.

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.

Gifts in kind are recognized based on their estimated market value.

(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.

2. Significant accounting policies (continued):

(e) Financial instruments:

The standards require that as financial assets and liabilities are initially recognized that they be measured at fair value, except for certain related party transactions. After initial recognition, financial assets are categorized as assets held-for-trading, held-to-maturity investments, loans and receivables, or available-for-sale assets, and financial liabilities must be classified as held-for-trading, or other liabilities. All financial instruments are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value depend on their initial classification, as follows: Held-for-trading is measured at fair value and changes in fair value are recognized in the statement of operations and changes in fund balances.

The Foundation has classified its financial instruments as follows:

Cash	Held-for-trading
Investments	Held-for-trading
Accounts receivable	Loans and receivables
Accrued interest receivable	Loans and receivables
Accounts payable	Other liabilities

(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 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.

3. Investments:

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

	2011	2010
Short-term portfolio	$ 280,842	$ 2,051,529
Bonds	22,394,071	21,307,758
Equities:		
Canadian	16,737,544	14,715,382
United States	4,014,710	4,864,574
International	3,853,409	4,613,788
	24,605,663	24,193,744
Cash annuities	475,966	-
Cash surrender value of life insurance policies	356,463	319,310
	$ 48,113,005	$ 47,872,341

4. Equipment:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Computer	$ 118,714	$ 84,321	$ 34,393	$ 40,261
Office	68,576	35,954	32,622	28,167
	$ 187,290	$ 120,275	$ 67,015	$ 68,428

5. Financial instruments:

(a) Fair values:

The Foundation's financial instruments consist of accounts receivable, accrued interest receivable, and accounts payable. Management is of the opinion that the fair values of all financial assets and liabilities are not materially different from their carrying values due to the short-term maturity of these instruments. Investments are carried at fair value as disclosed in note 3.

5. Financial instruments (continued):

(b) Associated risks:

(i) 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.

(ii) 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.

(iii) Interest rate risk:

A portion of the Foundation's assets financial assets and liabilities are interest bearing and as a result, the Foundation is subject to 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.

6. Allocation of indirect expenses:

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.

7. Comparative figures:

Certain of the 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

8. Grants to other qualified donees:

Grants to other qualified donees include a grant of $202,928 to Children's Health Foundation to reflect the transfer of the NICU program. The transfer was approved by the individual donors prior to release.

9. Future change in accounting policies:

In December 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants ("AcSB) and the Public Sector Accounting Board ("PSAB") released the accounting standards impacting the future financial and reporting framework for not-for-profit organizations. These standards are effective for years beginning on or after January 2, 2012. Organizations have an option to early adopt these new standards.

The AcSB is responsible for the accounting standards used by not-for-profit organizations that are not under the control of a government. Under the new accounting standards issued by the AcSB, not-for-profit organizations not controlled by government, will apply accounting standards for not-for-profit organizations contained in Part III of the CICA Handbook-Accounting.

The Foundation is currently in the process of determining the impact of these changes, which will be implemented for the fiscal 2013 year end.