

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2020



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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 end of March 31, 2020
- 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, 2020, and its results of operations, changes in fund balances, 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.



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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.

- 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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 17, 2020

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 2,659,958	\$ 1,719,115
Accounts receivable (note 2, 10)	119,494	271,209
Cash surrender value (note 3)	1,009,948	872,393
Investments (note 4)	29,410,165	32,227,260
Prepaid expenses and other assets	43,467	50,545
	<u>33,243,032</u>	<u>35,140,522</u>
Capital assets (note 5)	47,701	54,070
	<u>\$ 33,290,733</u>	<u>\$ 35,194,592</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals (note 10)	\$ 725,530	\$ 434,114
Deferred revenue (note 6)	278,678	34,453
	<u>1,004,208</u>	<u>468,567</u>
Fund balances	32,286,525	34,726,025
Subsequent event (note 13)		
	<u>\$ 33,290,733</u>	<u>\$ 35,194,592</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, 2020, with comparative information for 2019

	General Funds	Restricted Funds	Endowment Funds	2020 Total	2019 Total
Revenues:					
Fundraising programs (note7)	\$ 4,268,481	\$ 6,729,847	\$ 5,050	\$ 11,003,378	\$ 10,182,291
Investment (loss) income (note 8)	(1,562,745)	1,315	349,940	(1,211,490)	2,201,443
	2,705,736	6,731,162	354,990	9,791,888	12,383,734
Expenses:					
Fundraising	974,302	31,410	-	1,005,712	1,013,782
Operating and administration	2,754,995	-	-	2,754,995	2,855,858
	3,729,297	31,410	-	3,760,707	3,869,640
Excess (deficiency) of revenues over expenses before grants	(1,023,561)	6,699,752	354,990	6,031,181	8,514,094
Grants (note 9)	2,499,948	5,628,903	341,830	8,470,681	7,093,387
(Deficiency) excess of revenues over expenses	(3,523,509)	1,070,849	13,160	(2,439,500)	1,420,707
Fund balances, beginning of year	7,968,119	16,861,940	9,895,966	34,726,025	33,305,318
Inter-fund transfers	(1,474,983)	1,474,983	-	-	-
Fund balances, end of year	\$ 2,969,627	\$ 19,407,772	\$ 9,909,126	\$ 32,286,525	\$ 34,726,025

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations activities:		
(Deficiency) excess of revenue over expense	\$ (2,439,500)	\$ 1,420,707
Non-cash items:		
Decrease (increase) in unrealized gains on investments (notes 4,8)	2,782,329	(48,591)
Amortization of capital assets	18,307	19,495
Increase in cash surrender value	(137,555)	(49,708)
Changes in non-cash working capital balances:		
Accounts receivable	151,715	1,126,065
Prepaid expenses and other assets	7,078	46,905
Accounts payable and accruals	291,416	(445,244)
Deferred revenue	244,225	(12,505)
	918,015	2,057,124
Investing activities:		
Decrease (increase) in cost basis of investments (note 4)	34,766	(786,228)
Purchase of capital assets	(11,938)	(30,335)
	22,828	(816,563)
Increase in cash position	940,843	1,240,561
Cash position, beginning of year	1,719,115	478,554
Cash position, end of year	\$ 2,659,958	\$ 1,719,115
Supplemental cash flow information:		
Bank interest income received	\$ 46,984	\$ 26,313

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2020

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.

A portion of the General 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 \$1,438,370 (2019 – \$ 947,740).

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 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, 2020

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, 2020

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, 2020

2. Accounts receivable:

	2020	2019
General	\$ 29,269	\$ 215,092
HST tax rebate	90,225	56,117
	\$ 119,494	\$ 271,209

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	2020 Market	Percentage of Total Market
Cash equivalents	\$ 73,363	\$ 73,363	0.2%
Fixed income	13,251,383	13,838,642	47.1%
Equities	16,730,832	15,498,160	52.7%
	\$ 30,055,578	\$ 29,410,165	100.0%

	Cost	2019 Market	Percentage of Total Market
Cash equivalents	\$ 1,090,049	\$ 1,090,049	3.4%
Fixed income	13,766,303	14,441,754	44.8%
Equities	15,233,992	16,695,457	51.8%
	\$ 30,090,344	\$ 32,227,260	100.0%

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2020

4. Investments (continued):

	2020	2019
Change in investments during the year:		
(Decrease) increase in market values during the year	\$ (2,817,095)	\$ 834,819
Decrease (increase) in cost basis of investments in the year	34,766	(786,228)
	\$ (2,782,329)	\$ 48,591

5. Capital assets:

	2020		2019	
	Accumulated cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and leasehold improvements	\$ 222,894	\$ 187,969	\$ 34,925	\$ 39,890
Computer hardware	112,386	99,610	12,776	14,180
Computer software	48,746	48,746	-	-
	\$ 384,026	\$ 336,325	\$ 47,701	\$ 54,070

6. Deferred revenue:

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

	2020	2019
Balance, beginning of year	\$ 34,453	\$ 46,958
Less amount recognized as revenue in the current year	(34,453)	(46,958)
Add amount received related to future periods	278,678	34,453
	\$ 278,678	\$ 34,453

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2020

7. Fundraising programs:

	2020	2019
Donations	\$ 9,152,040	\$ 7,949,388
Special events	1,202,756	1,625,979
Gaming and other	648,582	606,924
	\$ 11,003,378	\$ 10,182,291

The Foundation expects to receive outstanding pledges totaling \$6,767,323 over the next five years. As a result of COVID-19, one of the special events scheduled to run at the end of fiscal 2020 was deferred until the next fiscal period.

8. Investment (loss) income:

	2020	2019
Unrealized (loss) gains on investments	\$ (2,782,329)	\$ 48,591
Realized gains on sales of investments	596,256	1,477,079
Investment income	974,583	675,773
	\$ (1,211,490)	\$ 2,201,443

9. Grants:

	2020	2019
Capital and equipment	\$ 5,197,956	\$ 4,099,272
Research	2,635,745	2,218,080
Programs	517,920	694,234
Education	119,060	81,801
	\$ 8,470,681	\$ 7,093,387

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Related party transactions:

	2020	2019
Revenue includes amounts received/receivable from:		
St. Joseph's Healthcare Hamilton	\$ 10	\$ 225,605
St. Joseph's Villa	2,600	2,600
Payroll processed on behalf of Foundation:		
St. Joseph's Healthcare Hamilton	2,232,519	2,389,440
Costs recovered through Management Service Agreement:		
St. Joseph's Health Centre Foundation Guelph		
Management salary and benefits	61,530	60,345
Administrative services and cost recoveries	80,258	92,353
Grants:		
St. Joseph's Healthcare Hamilton	5,978,953	5,531,958
Research St. Joseph's – Hamilton	1,506,491	879,633
St. Joseph's Health System	171,677	172,103
St. Joseph's Villa	201,159	-

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 for \$398,470 (2019 - \$334,757) 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 \$2,390 (2019 - \$384). 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 initial term of the agreement expires in July 2020 with an automatic renew for an additional two years. Subsequent to year end negotiations concluded on a new management service agreement which will have the same scope as the original agreement but will adjust the fees and extend the term until June 2025 with an option to renew for an additional two years.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2020

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 2019.

(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, 2019. Their December 31, 2019 audited financial statements disclosed an actuarial value of net assets in the amount of \$87,181 million, with accrued benefits of \$73,547 million, resulting in a going concern surplus of \$13,634 million.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2020

13. Subsequent event:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact across the world. This has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus.

Subsequent to year end, several measures were put in place which include the implementation of travel bans, self-imposed quarantine periods and social distancing. These measures have caused material disruption to individuals, businesses and organizations globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable.

At the time of approval of these financial statements, the Foundation has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic.

- Experienced temporary declines in the fair value of investments and investment income
- Deferral or cancellation of fundraising events
- Hold on hiring and a freeze on wages
- Mandatory working from home requirements for those able to do so
- Revised budgets and operating plans to reflect the changing environment

At this time these factors present uncertainty over future cash flows, may cause changes to the assets or liabilities and may have an impact on future operations. An estimate of the financial effect is not practicable at this time.