

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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, 2021, 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 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.

- 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 16, 2021

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 4,592,863	\$ 2,659,958
Accounts receivable (note 2, 10)	254,932	119,494
Cash surrender value (note 3)	1,052,940	1,009,948
Investments (note 4)	34,619,628	29,410,165
Prepaid expenses and other assets	30,476	43,467
	<u>40,550,839</u>	<u>33,243,032</u>
Capital assets (note 5)	65,804	47,701
	<u>\$ 40,616,643</u>	<u>\$ 33,290,733</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accruals (note 10)	\$ 650,810	\$ 725,530
Deferred revenue (note 6)	71,577	278,678
	<u>722,387</u>	<u>1,004,208</u>
Fund balances	39,894,256	32,286,525
	<u>\$ 40,616,643</u>	<u>\$ 33,290,733</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, 2021, with comparative information for 2020

	General Funds	Restricted Funds	Endowment Funds	2021 Total	2020 Total
Revenues:					
Fundraising programs (note 7)	\$ 4,390,709	\$ 10,508,900	\$ 5,000	\$ 14,904,609	\$ 11,003,378
Investment income (note 8)	4,580,629	279	329,531	4,910,439	(1,211,490)
Other income (note 13)	344,712	–	–	344,712	–
	9,316,050	10,509,179	334,531	20,159,760	9,791,888
Expenses:					
Fundraising	836,236	34,395	–	870,631	1,005,712
Operating and administration	2,901,071	–	–	2,901,071	2,754,995
	3,737,307	34,395	–	3,771,702	3,760,707
Excess of revenues over expenses before grants	5,578,743	10,474,784	334,531	16,388,058	6,031,181
Grants (note 9)	406,769	8,042,788	330,770	8,780,327	8,470,681
Excess (deficiency) of revenues over expenses	5,171,974	2,431,996	3,761	7,607,731	(2,439,500)
Fund balances, beginning of year	2,969,627	19,407,772	9,909,126	32,286,525	34,726,025
Inter-fund transfers	(624,519)	624,519	–	–	–
Fund balances, end of year	\$ 7,517,082	\$ 22,464,287	\$ 9,912,887	\$ 39,894,256	\$ 32,286,525

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operations activities:		
Excess (deficiency) of revenue over expense	\$ 7,607,731	\$ (2,439,500)
Non-cash items:		
(Increase) decrease in unrealized gains on investments (note 4)	(3,075,500)	2,782,329
Amortization of capital asset	22,194	18,307
Increase in cash surrender value	(42,992)	(137,555)
Changes in non-cash working capital balances:		
Accounts receivable	(135,438)	151,715
Prepaid expenses and other assets	12,991	7,078
Accounts payable and accruals	(74,720)	291,416
Deferred revenue	(207,101)	244,225
	<u>4,107,165</u>	<u>918,015</u>
Investing activities:		
Decrease (increase) in cost basis of investments (note 4)	(2,133,963)	34,766
Purchase of capital assets	(40,297)	(11,938)
	<u>(2,174,260)</u>	<u>22,828</u>
Increase in cash position	1,932,905	940,843
Cash position, beginning of year	2,659,958	1,719,115
Cash position, end of year	<u>\$ 4,592,863</u>	<u>\$ 2,659,958</u>
Supplemental cash flow information:		
Bank interest income received	\$ 18,204	\$ 46,984

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements

Year ended March 31, 2021

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 \$1,894,625 (2020 – \$1,438,370).

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, 2021

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, 2021

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, 2021

2. Accounts receivable:

	2021	2020
General	\$ 208,114	\$ 29,269
HST tax rebate	46,818	90,225
	<u>\$ 254,932</u>	<u>\$ 119,494</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	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>

	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%
	<u>\$ 30,055,578</u>	<u>\$ 29,410,165</u>	<u>100.0%</u>

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Investments (continued):

	2021	2020
Change in investments during the year:		
Increase (decrease) in market values during the year	\$ 5,209,463	\$ (2,817,095)
(Decrease) increase in cost basis of investments in the year	(2,133,963)	34,766
	<u>\$ 3,075,500</u>	<u>\$ (2,782,329)</u>

5. Capital assets:

	2021		2020	
	Accumulated cost	Accumulated amortization	Net book value	Net book value
Furniture, fixtures and leasehold improvements	\$ 225,257	\$ 196,683	\$ 28,574	\$ 34,925
Computer hardware	145,223	112,241	32,982	12,776
Computer software	53,843	49,595	4,248	-
	<u>\$ 424,323</u>	<u>\$ 358,519</u>	<u>\$ 65,804</u>	<u>\$ 47,701</u>

6. Deferred revenue:

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

	2021	2020
Balance, beginning of year	\$ 278,678	\$ 34,453
Less amount recognized as revenue in the current year	(278,678)	(34,453)
Add amount received related to future periods	71,577	278,678
	<u>\$ 71,577</u>	<u>\$ 278,678</u>

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Fundraising programs:

	2021	2020
Donations	\$ 13,066,341	\$ 9,152,040
Special events	1,020,640	1,202,756
Gaming and other	817,628	648,582
	\$ 14,904,609	\$ 11,003,378

The Foundation expects to receive outstanding pledges totaling \$6,776,145 over the next five years.

8. Investment income:

	2021	2020
Unrealized gains (loss) on investments	\$ 3,075,500	\$ (2,782,329)
Realized gains on sales of investments	956,173	596,256
Investment Income	878,766	974,583
	\$ 4,910,439	\$ (1,211,490)

9. Grants:

	2021	2020
Capital and equipment	\$ 5,031,940	\$ 5,197,956
Research	3,118,439	2,635,745
Programs	576,888	517,920
Education	53,060	119,060
	\$ 8,780,327	\$ 8,470,681

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2021

10. Related party transactions:

	2021	2020
Contributions includes amounts received/receivable from:		
St. Joseph's Healthcare Hamilton	\$ 2,000,000	\$ 10
St. Joseph's Villa	–	2,600
Payroll processed on behalf of Foundation:		
St. Joseph's Healthcare Hamilton	2,372,236	2,232,519
Cost recovered through Management Service Agreement:		
St. Joseph's Health Centre Foundation Guelph		
Management salary and benefits	68,890	61,530
Administrative services and cost recoveries	78,088	80,258
Grants:		
St. Joseph's Healthcare Hamilton	6,209,420	5,978,953
Research St. Joseph's – Hamilton	2,032,406	1,506,491
St. Joseph's Health System	31,250	171,677
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 of \$250,292 (2020 - \$398,470) 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 \$11,826 (2020 - \$2,390). 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.

On March 1, 2021 St. Joseph's Healthcare Hamilton executed a memorandum of understanding with the Foundation for a staff education fund/program at the Foundation whereby the Foundation will approve and disburse funds for staff education and professional development for employees of St. Joseph's Healthcare Hamilton. The Foundation received an initial contribution of \$2,000,000 from St. Joseph's Healthcare Hamilton during the year in connection with this program. In order to preserve education funds for future years, the Foundation has set a threshold of \$100,000 in education grants per fiscal year to eligible employees. No grants were provided in the current year for this program.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2021

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 2020.

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 2020.

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 2020.

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, 2020. Their December 31, 2020 audited financial statements disclosed an actuarial value of net assets in the amount of \$95,197 million, with accrued benefits of \$79,852 million, resulting in a going concern surplus of \$15,345 million.

ST. JOSEPH'S HEALTHCARE FOUNDATION, HAMILTON

Notes to Financial Statements (continued)

Year ended March 31, 2021

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 \$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.