

Financial Statements of

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

Year ended March 31, 2016



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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, 2016 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, 2016 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.

Chartered Professional Accountants, Licensed Public Accountants

June 15, 2016

London, Canada

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Balance Sheet

March 31, 2016, with comparative information for 2015

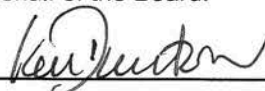
	2016	2015
Assets		
Current assets:		
Cash	\$ 779,301	\$ 1,486,424
Restricted cash (note 10)	4,060,327	5,018,037
Accounts receivable	39,140	119,216
Prepaid expenses	8,945	76,297
	<u>4,887,713</u>	<u>6,699,974</u>
Investments (note 3)	67,029,951	66,375,454
Equipment (note 4)	64,504	68,874
Investment in joint venture (note 5)	839,386	839,386
	<u>\$ 72,821,554</u>	<u>\$ 73,983,688</u>

Liabilities and Fund Balances


Current liabilities:		
Accounts payable	\$ 590,860	\$ 634,882
Other liability (note 10)	4,060,327	5,018,037
	<u>4,651,187</u>	<u>5,652,919</u>
Deferred contributions:		
Deferred revenue	218,428	317,085
Fund balances:		
Unrestricted	835,288	1,566,448
Restricted	12,359,094	10,190,149
Endowment	54,757,557	56,257,087
	<u>67,951,939</u>	<u>68,013,684</u>
Contingency (note 8)		
	<u>\$ 72,821,554</u>	<u>\$ 73,983,688</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, 2016, with comparative information for 2015

	Unrestricted Fund	Restricted Fund	Endowment Fund	2016 Total	2015 Total
Revenue:					
Donations (note 10)	\$ 1,214,138	\$ 4,126,498	\$ 1,554,758	\$ 6,895,394	\$ 4,873,302
Special events (note 5)	896,278	537,740	-	1,434,018	1,875,604
Investment income	152,898	-	(826,746)	(673,848)	8,481,955
	2,263,314	4,664,238	728,012	7,655,564	15,230,861
Expenses:					
Salaries and benefits	2,345,725	-	-	2,345,725	2,121,992
Direct fund raising and operating costs	1,034,836	173,654	-	1,208,490	1,489,029
Indirect expense allocation (note 7)	(1,016,909)	547,063	469,846	-	-
	2,363,652	720,717	469,846	3,554,215	3,611,021
Excess (deficiency) of revenue over expenses	(100,338)	3,943,521	258,166	4,101,349	11,619,840
Grants disbursed	291,142	2,660,706	1,211,246	4,163,094	4,954,547
Change in fund balances	(391,480)	1,282,815	(953,080)	(61,745)	6,665,293
Repatriation of funds (note 9)	-	-	-	-	356,053
Transfer between funds (note 11)	(339,680)	886,130	(546,450)	-	-
Fund balances, beginning of year	1,566,448	10,190,149	56,257,087	68,013,684	60,992,338
Fund balances, end of year	\$ 835,288	\$ 12,359,094	\$ 54,757,557	\$ 67,951,939	\$ 68,013,684

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 4,101,349	\$ 11,619,840
Grants	(4,163,094)	(4,954,547)
Repatriation of funds (note 9)	-	356,053
Adjustments for:		
Amortization of equipment	17,586	13,326
Changes in non-cash operating working capital:		
Accounts receivable	80,076	(53,446)
Prepaid expenses	67,352	10,375
Restricted cash	957,710	(5,018,037)
Accounts payable	(44,022)	(100,309)
Other liability	(957,710)	5,018,037
Deferred revenue	(98,657)	(296,504)
	(39,410)	6,594,788
Investing activities:		
Investments, net (note 3)	(654,497)	(6,984,839)
Purchase of equipment	(13,216)	(29,170)
	(667,713)	(7,014,009)
Decrease in cash	(707,123)	(419,221)
Cash, beginning of year	1,486,424	1,905,645
Cash, end of year	\$ 779,301	\$ 1,486,424

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements

Year ended March 31, 2016

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, 2016

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, 2016

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, 2016

3. Investments:

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

	2016	2015
Short-term portfolio	\$ 74,672	\$ 1,547,275
Bonds	29,619,569	28,787,044
Equities:		
Canadian	7,345,850	6,889,640
International	16,611,493	16,083,576
	23,957,343	22,973,216
Real estate	6,111,119	5,479,788
Diversified hedge funds	6,899,808	7,121,792
Cash annuities	1,042	87,750
Cash surrender value of life insurance policies	366,398	378,589
	\$ 67,029,951	\$ 66,375,454

4. Equipment:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Computer	\$ 128,509	\$ 91,043	\$ 37,466	\$ 37,815
Office	78,083	51,045	27,038	31,059
	\$ 206,592	\$ 142,088	\$ 64,504	\$ 68,874

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2016

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 ("Ventures"). 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 Ventures.
- (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 Ventures 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 \$515,523 (2015 - \$384,992) 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:

	2016
Revenue	\$ 8,260,311
Expenses	6,713,743
Net proceeds	1,546,568
Net proceeds attributable to other Venturers	1,031,045
Net proceeds attributable to the Foundation	\$ 515,523

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2016

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.

(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.

(c) 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.

Fixed rate instruments subject the Foundation to a fair value risk while the floating rate instruments subject the Foundation to a cash flow risk.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2016

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 2015.

(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.

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, 2016, a letter of guarantee was outstanding, totaling \$28,749 (2015 - \$57,047).

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2016

9. Repatriation of funds:

In March 2014, St Joseph's Health Care Centre returned \$356,053 to the Foundation from unspent grants of several prior periods. During the year ended March 31, 2015, these funds were allocated from Deferred Revenue back to the appropriate funds from which the grants were originally made to St Joseph's Health Care. Given these funds had previously been recorded as revenue and appropriately disbursed to St. Joseph's Health Care in prior periods, the net assets were adjusted and disclosed as Repatriation of funds on the Statement of Operations and Changes in Fund Balances.

10. Restricted cash:

During fiscal 2015, the City made a grant to the Foundation as a restricted donation, in support of the London Medical Innovation and Commercialization Network ("LMICN"). This will result in collaboration between Western University, Lawson Health Research Institute, London Health Sciences and St. Joseph's Health Care London. Agreements were signed between the Foundations and the City and between the Foundations and the Network. A requirement by the City of London was the funds be managed in a separate bank account and interest would accrue to the grant. As such these funds are recorded as restricted cash, are held by the Royal Bank, and are managed outside the terms of the Foundation's Investment Policy. Given that the funds are not earned by the Foundation until such point as expenditures are approved by the Treasurer of the City and paid to LMICN, the amounts received and not yet paid out have been recorded as a liability on the financial statements. During fiscal 2016, \$1,000,000 was disbursed to the LMICN and was recorded as revenue.

11. Transfer between funds:

During the year, the Foundation transferred \$578,472 from investment income earned on Endowment accounts to restricted and unrestricted funds. This final transfer was related to fiscal years 2010 to 2013 when several endowment funds were unable to distribute income due to negative market returns. In order to continue to support the incumbents conducting research, the Foundation's Board of Directors approved the payment of the endowed fund commitment from other restricted and unrestricted funds.