Financial Statements of

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Years ended March 31, 2013 and 2012

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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 sheets as at March 31, 2013, March 31, 2012 and April 1, 2011 and the statements of operations and changes in fund balances, and cash flows for the years ended March 31, 2013 and March 31, 2012, 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, 2013, March 31, 2012 and April 1, 2011 and its results of operations and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

May 15, 2013

London, Canada

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON
Balance Sheets

March 31, 2013, March 31, 2012 and April 1, 2011

	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets:			
Cash	$ 658,153	$ 648,947	$ 3,755,529
Accounts receivable	137,165	50,522	124,764
Prepaid expenses	33,576	185,849	180,061
	828,894	885,318	4,060,354
Investments (note 3)	54,232,454	50,917,777	48,113,005
Equipment (note 4)	38,844	71,404	67,015
Investment in joint venture (note 5)	839,386	-	-
	$ 55,939,578	$ 51,874,499	$ 52,240,374
Liabilities and Fund Balances			
Current liability:			
Accounts payable	$ 487,324	$ 469,547	449,982
Deferred contributions:			
Deferred revenue	273,303	304,948	390,533
Fund balances:			
Unrestricted	699,689	749,489	1,667,376
Restricted	6,111,038	4,521,455	4,694,681
Endowment	48,368,224	45,829,060	45,037,802
	55,178,951	51,100,004	51,399,859
	$ 55,939,578	$ 51,874,499	$ 52,240,374

See accompanying notes to financial statements.

On behalf of the Board:

_______________ Director _______________ Director

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Statements of Operations and Changes in Fund Balances

Years ended March 31, 2013 and March 31, 2012

	2013 Total	Unrestricted Fund	Restricted Fund	Endowment Fund	2012 Total (Schedule)
Revenue:					
Donations	$ 4,603,261	$ 983,434	$ 3,533,932	$ 85,895	$ 3,748,807
Special events	1,904,603	1,125,132	777,971	1,500	1,240,184
Investment income	3,955,389	437,830	-	3,517,559	1,390,930
	10,463,253	2,546,396	4,311,903	3,604,954	6,379,921
Expenses:					
Salaries and benefits	2,182,517	2,182,517	-	-	2,105,899
Direct fund raising and operating costs	1,078,862	843,143	235,712	7	1,017,199
Indirect expense allocation (note 7)	-	(1,004,056)	597,972	406,084	-
	3,261,379	2,021,604	833,684	406,091	3,123,098
Excess of revenue over expenses	7,201,874	524,792	3,478,219	3,198,863	3,256,823
Grants disbursed	3,122,927	574,592	1,888,636	659,699	3,556,678
Change in fund balances	4,078,947	(49,800)	1,589,583	2,539,164	(299,855)
Fund balances, beginning of year	51,100,004	749,489	4,521,455	45,829,060	51,399,859
Fund balances, end of year	$ 55,178,951	$ 699,689	$ 6,111,038	$ 48,368,224	$ 51,100,004

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Statements of Cash Flows

Years ended March 31, 2013and 2012

	2013	2012
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 7,201,874	$ 3,256,823
Grants	(3,122,927)	(3,556,678)
Adjustments for:		
Amortization of equipment	15,192	18,488
Loss on disposal of equipment	24,501	-
Changes in non-cash operating working capital:		
Accounts receivable	(86,643)	74,242
Prepaid expenses	152,273	(5,788)
Accounts payable	17,777	19,565
Deferred revenue	(31,645)	(85,585)
	4,170,402	(278,933)
Investing activities:		
Investment in joint venture (note 5)	(839,386)	-
Investments, net (note 3)	(3,314,677)	(2,804,772)
Purchase of equipment	(7,133)	(22,877)
	(4,161,196)	(2,827,649)
Increase (decrease) in cash	9,206	(3,106,582)
Cash, beginning of year	648,947	3,755,529
Cash, end of year	$ 658,153	$ 648,947

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.

On April 1, 2011, the Foundation adopted Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CICA Handbook ("ASNPO"). These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the Foundation has adopted the changes retrospectively. The transition date is April 1, 2011 and all comparative information provided has been presented by applying ASNPO.

There are no adjustments to net assets as at April 1, 2011 or excess of expenses over revenue for the year ended March 31, 2011 as a result of the transition to ASNPO.

Details of the results from operations and changes in fund balances for the period ended March 31, 2012 presented under ASNPO are included in the schedule at the end of the notes to the financial statements for comparative purposes.

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.

1. Basis of presentation (continued):

(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 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.

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.

Gifts in kind are recognized based on their estimated market value when a tax receipt is issued.

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.

2. Significant accounting policies (continued):

(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.

(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.

2. Significant accounting policies (continued):

(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:

	March, 31, 2013	March 31, 2012	April 1, 2011
Short-term portfolio	$ 17,892	$ 2,579,797	$ 280,842
Bonds	26,874,498	26,083,825	22,394,071
Equities:			
Canadian	7,913,161	7,572,220	10,679,374
United States	6,789,590	5,411,479	4,014,710
International	4,230,872	5,183,827	3,853,409
	18,933,623	18,167,526	18,547,493
Real estate	4,888,923	3,084,775	6,058,170
Diversified hedge funds	2,653,173	-	-
Cash annuities	445,282	621,886	475,966
Cash surrender value of life insurance policies	419,063	379,968	356,463
	$ 54,232,454	$ 50,917,777	$ 48,113,005

4. Equipment:

March 31, 2013	Cost	Accumulated amortization	Net book value
Computer	$ 79,666	$ 68,424	$ 11,242
Office	77,158	49,556	27,602
	$ 156,824	$ 117,980	$ 38,844

March 31, 2012	Cost	Accumulated amortization	Net book value
Computer	$ 134,448	$ 95,874	$ 38,574
Office	75,720	42,890	32,830
	$ 210,168	$ 138,764	$ 71,404

April 1, 2011	Cost	Accumulated amortization	Net book value
Computer	$ 118,714	$ 84,321	$ 34,393
Office	68,576	35,954	32,622
	$ 187,290	$ 120,275	$ 67,015

5. Investment in joint venture:

In January, 2013, a memorandum of agreement was signed by St. Joseph's Health Care Foundation whereby the three lottery participants agreed to operate future community lotteries as a joint venture. Net proceeds from these lotteries will be shared equally by the agreement participants. Funding for a required lottery letter of credit and seed money for future lottery expenses totaling $839,386 is recorded as an investment in joint venture. This asset will be accounted for on the equity method whereby the Foundation's share of net lottery proceeds will be recorded as donation revenue.

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.

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. Change in accounting policy:

In prior periods, donated services such as marketing and printing were recognized as Donations and Special Event Expenses, based on their estimated market value. In the current fiscal year, this policy was changed whereby gifts in kind are recognized based on their estimated market value only when a tax receipt is issued.

This change in accounting policy was applied on a retroactive basis. Revenue and expenses of the unrestricted fund for the year ended March 31, 2012 were reduced by $28,000. This adjustment did not result in a change in net assets as at April 1, 2011 or March 31, 2012.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Schedule - Statement of Operations and Changes in Fund Balances

Year ended March 31, 2012

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total
Revenue:				
Donations	$ 1,105,077	$ 2,267,692	$ 376,038	$ 3,748,807
Special events	902,208	337,976	-	1,240,184
Investment income	168,646	-	1,222,284	1,390,930
	2,175,931	2,605,668	1,598,322	6,379,921
Expenses:				
Management salaries	2,105,899	-	-	2,105,899
Direct fund raising and operating costs	857,083	160,116	-	1,017,199
Indirect expense allocation	(525,804)	134,098	391,706	-
	2,437,178	294,214	391,706	3,123,098
Excess (deficiency) of revenue over expenses	(261,247)	2,311,454	1,206,616	3,256,823
Grants disbursed	656,640	2,484,680	415,358	3,556,678
Change in fund balances	(917,887)	(173,226)	791,258	(299,855)
Fund balances, beginning of year	1,667,376	4,694,681	45,037,802	51,399,859
Fund balances, end of year	$ 749,489	$ 4,521,455	$ 45,829,060	$ 51,100,004