

Financial Statements of

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

Year ended March 31, 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 sheet as at March 31, 2012 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 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, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

May 23, 2012

London, Canada

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ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Balance Sheet

March 31, 2012, with comparative figures for 2011


	2012	2011
Assets		
Current assets:		
Cash	\$ 648,947	\$ 3,755,529
Accounts receivable	50,024	123,264
Accrued interest receivable	498	1,500
Prepaid expenses	185,849	180,061
	<u>885,318</u>	<u>4,060,354</u>
Investments (note 3)	50,917,777	48,113,005
Equipment (note 4)	71,404	67,015
	<u>\$ 51,874,499</u>	<u>\$ 52,240,374</u>

Liabilities and Fund Balances

Current liability:		
Accounts payable	\$ 469,547	\$ 449,982
Deferred contributions:		
Deferred revenue	304,948	390,533
Fund balances:		
Unrestricted	749,489	1,667,376
Restricted	4,521,455	4,694,681
Endowment	45,829,060	45,037,802
	<u>51,100,004</u>	<u>51,399,859</u>
	<u>\$ 51,874,499</u>	<u>\$ 52,240,374</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, 2012, with comparative figures for 2011

	2012		2011		
	Total	Unrestricted Fund	Restricted Fund	Endowment Fund	2011 Total
Revenue:					
Donations	\$ 3,748,807	\$ 1,105,077	\$ 2,267,692	\$ 376,038	\$ 4,617,559
Special events	1,268,184	930,208	337,976	-	1,501,521
Investment income	1,390,930	168,646	-	1,222,284	4,951,650
	6,407,921	2,203,931	2,605,668	1,598,322	11,070,730
Expenses:					
Salaries and benefits	2,105,899	2,105,899	-	-	1,957,324
Direct fund raising and operating costs	1,045,199	885,083	160,116	-	1,135,240
Indirect expense allocation (note 6)	-	(525,804)	134,098	391,706	-
	3,151,098	2,465,178	294,214	391,706	3,092,564
Excess (deficiency) of revenue over expenses	3,256,823	(261,247)	2,311,454	1,206,616	7,978,166
Grants disbursed	3,556,678	656,640	2,484,680	415,358	5,237,852
Grants to other qualified donees	-	-	-	-	202,928
	3,556,678	656,640	2,484,680	415,358	5,440,780
Change in fund balances	(299,855)	(917,887)	(173,226)	791,258	2,537,386
Fund balances, beginning of year	51,399,859	1,667,376	4,694,681	45,037,802	48,862,473
Fund balances, end of year	\$ 51,100,004	\$ 749,489	\$ 4,521,455	\$ 45,829,060	\$ 51,399,859

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,256,823	\$ 7,978,166
Grants	(3,556,678)	(5,440,780)
Adjustment for:		
Amortization of equipment	18,488	19,928
Changes in non-cash operating working capital:		
Accounts receivable	73,240	47,065
Accrued interest receivable	1,002	(1,126)
Prepaid expenses	(5,788)	33,971
Accounts payable	19,565	(791)
Deferred revenue	(85,585)	55,670
	(278,933)	2,692,103
Investing activities:		
Investments, net	(2,804,772)	(240,664)
Purchase of equipment	(22,877)	(18,515)
	(2,827,649)	(259,179)
Increase (decrease) in cash	(3,106,582)	2,432,924
Cash, beginning of year	3,755,529	1,322,605
Cash, end of year	\$ 648,947	\$ 3,755,529

See accompanying notes to financial statements.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements

Year ended March 31, 2012

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 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.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2012

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.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2012

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.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2012

3. Investments:

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

	2012	2011
Short-term portfolio	\$ 2,579,797	\$ 280,842
Bonds	26,083,825	22,394,071
Equities:		
Canadian	10,656,995	16,737,544
United States	5,411,479	4,014,710
International	5,183,827	3,853,409
	21,252,301	24,605,663
Cash annuities	621,886	475,966
Cash surrender value of life insurance policies	379,968	356,463
	\$ 50,917,777	\$ 48,113,005

4. Equipment:

	2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value
Computer	\$ 134,448	\$ 95,874	\$ 38,574	\$ 34,393
Office	75,720	42,890	32,830	32,622
	\$ 210,168	\$ 138,764	\$ 71,404	\$ 67,015

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.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2012

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.

ST. JOSEPH'S HEALTH CARE FOUNDATION OF LONDON

Notes to Financial Statements (continued)

Year ended March 31, 2012

7. 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.