

Financial statements of

**St. Joseph's Health Centre
Foundation of Toronto**

March 31, 2017

St. Joseph's Health Centre Foundation of Toronto

March 31, 2017

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Independent Auditor's Report

To the Members of the Finance Committee
St. Joseph's Health Centre Foundation of Toronto

We have audited the accompanying financial statements of St. Joseph's Health Centre Foundation of Toronto, which comprise the balance sheet as at March 31, 2017, the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and 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 a management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 the auditor's 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, the auditor considers 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 control. 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 Centre Foundation of Toronto as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads "Deloitte LLP". The word "Deloitte" is written in a cursive script, and "LLP" is written in a simpler, blocky font.

Chartered Professional Accountants
Licensed Public Accountants
June 7, 2017

St. Joseph's Health Centre Foundation of Toronto

Balance sheet

as at March 31, 2017

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	12,941,921	14,881,210
Prepaid deposits	18,704	28,246
	12,960,625	14,909,456
Long-term investments (Note 3(a))	12,326,637	10,171,254
Investment in insurance policies (Note 3(c))	517,323	405,840
	25,804,585	25,486,550
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	128,971	206,940
Due to St. Joseph's Health Centre (Note 5(b))	140,524	2,877,628
	269,495	3,084,568
Fund balances		
Unrestricted fund	6,085,776	5,156,909
Externally restricted fund	17,965,541	15,768,199
Endowment fund	1,483,773	1,476,874
	25,535,090	22,401,982
	25,804,585	25,486,550

Approved by the Board

Chair of the Board

Treasurer

St. Joseph's Health Centre Foundation of Toronto

Statement of revenue and expenses year ended March 31, 2017

				2017	2016
	Unrestricted	Externally restricted	Endowment	Total	Total
	\$	\$	\$	\$	\$
Revenue					
Donations and other revenue	1,392,617	4,714,140	7,665	6,114,422	4,692,112
Fundraising events	510,816	668,765	-	1,179,581	1,175,895
Interest and other investment income (Note 3(b))	369,933	199,741	-	569,674	125,225
	2,273,366	5,582,646	7,665	7,863,677	5,993,232
Expenses					
Fundraising	2,402,002	73,627	-	2,475,629	2,462,328
Administration	501,352	-	-	501,352	443,040
Investment management fees	56,216	23,044	-	79,260	75,735
	2,959,570	96,671	-	3,056,241	2,981,103
Excess of (expenses over revenue) revenue over expenses for the					
year before disbursements to St. Joseph's Health Centre					
and unrealized (losses) gains on investments	(686,204)	5,485,975	7,665	4,807,436	3,012,129
Disbursements to St. Joseph's Health Centre (Note 5 (a))	(95,222)	(2,461,956)	-	(2,557,178)	(2,194,724)
Unrealized gains (losses) on investments (Note 3 (b))	882,850	-	-	882,850	(626,058)
Excess of revenue over expenses for the year	101,424	3,024,019	7,665	3,133,108	191,347

The accompanying notes to the financial statements are an integral part of this financial statement.

St. Joseph's Health Centre Foundation of Toronto

Statement of changes in fund balances year ended March 31, 2017

	2017			2016	
	Unrestricted	Externally restricted	Endowment	Total	Total
	\$	\$	\$	\$	\$
Fund balances,					
beginning of year	5,156,909	15,768,199	1,476,874	22,401,982	22,210,635
Excess of revenue over					
expenses for the year	101,424	3,024,019	7,665	3,133,108	191,347
Inter-fund transfers	827,443	(826,677)	(766)	-	-
Fund balances, end of year	6,085,776	17,965,541	1,483,773	25,535,090	22,401,982

The accompanying notes to the financial statements are an integral part of this financial statement.

St. Joseph's Health Centre Foundation of Toronto

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating activities		
Excess of revenue over expenses for the year	3,133,108	191,347
Less endowment contributions	(7,665)	(8,500)
Items not affecting operating cash		
Realized gains on sale of investments	(141,602)	(23,991)
Unrealized (gains) losses on investments	(882,850)	626,058
Changes in non-cash working capital items		
Prepaid deposits	9,542	(28,246)
Accounts payable and accrued liabilities	(77,969)	97,378
Due to St. Joseph's Health Centre	(2,737,104)	880,857
	(704,540)	1,734,903
Investing activities		
Payment of premiums on donated life insurance policies	(111,483)	(94,571)
Proceeds from disposal of long-term investments	1,855,561	1,370,353
Purchase of long-term investments	(2,986,492)	(1,124,279)
	(1,242,414)	151,503
Financing activity		
Endowment contributions	7,665	8,500
(Decrease) increase in cash during the year	(1,939,289)	1,894,906
Cash, beginning of year	14,881,210	12,986,304
Cash, end of year	12,941,921	14,881,210

The accompanying notes to the financial statements are an integral part of this financial statement.

St. Joseph's Health Centre Foundation of Toronto

Notes to the financial statements

March 31, 2017

1. Nature of the Foundation

St. Joseph's Health Centre Foundation of Toronto (the Foundation) is a non-profit corporation, incorporated under the provisions of the Canada Not-for-Profit Corporations Act, without share capital and has been granted status as a registered charity under the Income Tax Act. The Foundation's charitable registration number is 119183382 RR 0001.

The objectives of the Foundation are to receive and maintain funds for the benefit of St. Joseph's Health Centre (the "Health Centre") for the enhancement or improvement of the facilities or the services provided by the Health Centre. These objectives specifically do not include disbursement of any funds toward operating costs or expenses associated with the Health Centre that are otherwise funded by the Ministry of Health and Long-Term Care.

2. Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

Fund accounting and capital management

The Foundation follows the restricted fund method of accounting for contributions, which consist of donations, bequests and proceeds from special events.

The financial statements separately disclose the activities of the following funds maintained by the Foundation:

Unrestricted fund

This fund includes donations, bequests and net proceeds from fundraising activities, which are for the enhancement or improvement of the facilities or services provided by the Health Centre.

Externally restricted fund

This fund includes donations and bequests for specific purposes as designated by the donors.

Endowment fund

This fund includes donations and bequests which are subject to external restrictions and internal allocations, specifying that the fund balance be maintained permanently. Net investment income earned on resources held for endowment are recognized under the externally restricted fund and then disbursed for specific projects as designated by the donors or the Board of Directors. In November 2007 the Board of Directors of the Foundation transferred the research funds to the endowment fund.

Revenue recognition

Contributions are recognized as revenues in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Unrestricted contributions are recognized as revenue in the unrestricted fund. Donor restricted contributions for specific purposes are recognized as revenue in the externally restricted fund, unless the capital is maintained for a specified period of time, in which case the contributions are recognized as revenue in the endowment fund.

Investment income

Investment income is allocated to certain externally restricted funds to help fund its activities at the discretion of the Board of Directors.

St. Joseph's Health Centre Foundation of Toronto

Notes to the financial statements

March 31, 2017

2. Summary of significant accounting policies (continued)

Financial instruments

The Foundation initially recognizes financial instruments at fair value and subsequently measures them at each reporting date, as follows:

<u>Asset/liability</u>	<u>Measurement</u>
Cash and long term investments	Fair value
Long term investment - insurance policies	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Due to St. Joseph's Health Centre	Amortized cost

Financial assets measured at amortized cost are assessed at each reporting date for indications of impairment. If such impairment exists the asset shall be written down and the resulting impairment loss shall be recognized in the statement of revenue, expenses and changes in net assets for the period.

Transaction costs are expensed as incurred.

Donated services, goods and investments

The Foundation does not recognize the substantial value of services contributed by volunteers due to the difficulty in determining their fair value, or the value of goods contributed to the organization

Donated investments are recorded at market value at the date received and are included in donations.

Pledges

The amount of any pledges to donate funds is not included in revenue until such time as the funds are received.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standard for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Accounts requiring significant estimates and assumptions include long-term investments and accrued liabilities.

3. Investments

a) *Long-term investments*

	2017		2016	
	Cost	Market value	Cost	Market value
	\$	\$	\$	\$
Investment portfolio				
Common stocks, equity				
pooled funds and other	6,200,949	8,201,036	5,495,676	6,611,724
Fixed income securities	4,109,592	4,125,601	3,542,332	3,559,530
	10,310,541	12,326,637	9,038,008	10,171,254

St. Joseph's Health Centre Foundation of Toronto

Notes to the financial statements

March 31, 2017

3. Investments (continued)

b) Interest and other investment

	2017	2016
	\$	\$
Net realized investment gains	141,602	12,362
Interest and other investment income		
Interest	55,269	78,849
Dividends	371,924	313,814
Foreign currency gains (losses)	879	(279,800)
	569,674	125,225
Unrealized gains (losses) on investments	882,850	(626,058)
	1,452,524	(500,833)

Interest and other investment income under the externally restricted fund includes \$83,363 (2016 - \$72,065) relating to income earned on resources held for endowment.

c) Investment in insurance policies

The Foundation is the named beneficiary of life insurance policies for which the Foundation has taken over responsibility for premium payments and is recording these payments as an asset. The total death benefit value of the life insurance policies is \$2,500,000 (2016 - \$2,500,000).

4. Pledges

The Foundation has outstanding pledges of \$11,356,000 (2016 - \$6,038,368) made to various campaigns, which are not reflected in these financial statements as their ultimate collection cannot be reasonably assured. Pledges are scheduled to be received over the next five years.

5. Related party transactions

a) Disbursements to the Health Centre are as follows:

	2017			2016
	Unrestricted	Externally restricted	Total	Total
	\$	\$	\$	\$
Capital projects	55,494	2,291,182	2,346,676	2,012,865
Other grants	39,728	170,774	210,502	181,859
	95,222	2,461,956	2,557,178	2,194,724

b) Due to St. Joseph's Health Centre represents amounts payable in respect of the reimbursement of operating expenditures paid by the Health Centre on behalf of the Foundation.

c) All related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

St. Joseph's Health Centre Foundation of Toronto

Notes to the financial statements

March 31, 2017

6. Allocation of expenses

The Foundation reports its expenses by function in the statement of revenues and expenses. The following classifies these expenses by object:

	2017	2016
	\$	\$
Salaries and benefits	1,455,455	1,353,537
General and office	110,323	114,343
Professional and consulting	428,194	644,508
Marketing	396,639	335,311
Fundraising	665,631	533,405
	3,056,241	2,981,104

7. Commitments, contingencies and guarantees

In the normal course of business, the Foundation enters into agreements that meet the definition of a guarantee. The Foundation's primary guarantees are as follows:

- (i) Indemnity has been provided to all directors, committee members and officers of the Foundation for various items including, but not limited to, all costs to settle suits or actions due to association with the Foundation, subject to certain restrictions. The Foundation has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of indemnification is not explicitly defined, but is limited to the period over which the indemnification party served as a director or officer of the Foundation.
- (ii) In the normal course of business, the Foundation has entered into agreements that include indemnities in favour of third parties. These indemnification agreements may require the Foundation to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction.

The nature of these indemnification agreements prevents the Foundation from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Foundation has not made any significant payments under such or similar indemnification agreements and, therefore, no amount has been accrued in the balance sheet with respect to these agreements.

8. Financial instruments and risk management

The Foundation, through its exposure to financial assets and liabilities has exposure to the following risks from its use of financial instruments: credit risk, market risk and interest rate risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. The short-term interest bearing investments held by the Foundation have a limited exposure to interest rate risk due to their short-term maturity. The Foundation has formal policies and procedures that establish target asset mix, minimum credit ratings and varying terms of the securities held.

Credit risk

The Foundation's principal financial assets are cash, short-term investments, accounts receivable and long term investments, which are subject to credit risk. The carrying amounts of financial assets on the balance sheet represent the Foundation's maximum credit exposure at the balance sheet date.

St. Joseph's Health Centre Foundation of Toronto

Notes to the financial statements

March 31, 2017

8. Financial instruments and risk management (continued)

Credit risk (continued)

The Foundation's credit risk is primarily attributable to its long term investments. The credit risk on cash, and short-term investments is limited since the counterparties are chartered banks with high credit-ratings assigned by national credit-rating agencies.

Market risk

Market risk arises as a result of trading in equity securities and fixed income securities. Fluctuations in the market expose the Foundation to a risk of loss. The Foundation mitigates this risk through controls to monitor and limit concentration levels.

Currency risk

Currency risk is the risk to the Foundation's earnings that arise from fluctuations in foreign exchange rates and the degree of validity of these rates. The Foundation mitigates this risk through controls to monitor such rates.

9. Works of art

The Foundation received a donation of an art collection with a fair market value of \$280,480 at the time of donation. In accordance with Canadian accounting standards for not-for-profit organizations, the recording of these works of art as an asset is not required, and as such they have not been reflected in these financial statements. The Foundation's collection is held at St. Joseph's Health Centre for display.

10. Inter-fund transfers

A total of \$518,380 (2016 - \$299,908) was transferred to the Unrestricted fund from the Externally restricted and Endowment funds as a 10% allocation on restricted donations as per Foundation Policy.

11. Letter of credit

The Foundation has one Letter of Credit outstanding at March 31, 2017 in the amount of \$49,725 (2016 - \$49,725) issued to the City of Toronto with respect to Charitable gaming Activities. The letter of credit is secured by cash. As of March 31, 2017, no amounts have been applied against the letter of credit.