Financial Statements of

ST. JOSEPH'S VILLA FOUNDATION

Year ended March 31, 2019

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of St. Joseph's Villa Foundation

Qualified Opinion

We have audited the financial statements of St. Joseph's Villa Foundation (the Entity), which comprise:

- the statement of financial position as at end of March 31, 2019
- the statement of operations for the year then ended
- statement of 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, except for the possible effects of the matter described in the Basis of Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the statement of financial position of the Entity as at March 31, 2019, 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 Qualified Opinion

In common with many charitable organizations, St. Joseph's Villa Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of St. Joseph's Villa Foundation.

Therefore, we were not able to determine whether, as at March 31, 2019, and for the year then ended, any adjustments might be necessary to donations and surplus for the year reported in the statement of operations and changes in fund balances, surplus for the year recorded in the statement of cash flows and current assets and fund balances reported in the statement of financial position.

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 qualified 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.

- 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 12, 2019

ST. JOSEPH'S VILLA FOUNDATION

Statement of Financial Position

March 31, 2019, with comparative figures for 2018

	General Fund	Restricted Funds	Total 2019	Total 2018
Assets				
Current assets:				
Cash	$ 797,475	$ 108	$ 797,583	$ 684,307
Accounts receivable	9,878	-	9,878	10,695
Prepaid expenses	3,831	-	3,831	2,615
	811,184	108	811,292	697,617
Investments (note 2)	3,711,620	4,917,891	8,629,511	6,340,161
Capital assets (note 3)	10,869	-	10,869	11,491
Other assets (note 4)	385,025	-	385,025	385,025
	$ 4,918,698	$ 4,917,999	$ 9,836,697	$ 7,434,294
Liabilities and Fund Balances				
Current liabilities:				
Bank overdraft	$ -	$ -	$ -	$ 26
Accounts payable and accrued liabilities (note 7)	473,737	-	473,737	57,689
	473,737	-	473,737	57,715
Deferred revenue (note 5)	483,000	-	483,000	464,325
	956,737	-	956,737	522,040
Fund balances:				
Unrestricted	3,961,961	-	3,961,961	4,425,422
Restricted	-	4,917,999	4,917,999	2,486,832
	3,961,961	4,917,999	8,879,960	6,912,254
Commitment and contingencies (note 6)				
	$ 4,918,698	$ 4,917,999	$ 9,836,697	$ 7,434,294

See accompanying notes to financial statements.

On behalf of the Board:

______________________________ Director

______________________________ Director

ST. JOSEPH'S VILLA FOUNDATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2019, with comparative figures for 2018

	General Fund	Restricted Funds	Total 2019	Total 2018
Revenue:				
Fund raising revenue	$ 360,610	$ -	$ 360,610	$ 372,525
Donations	96,260	3,116,718	3,212,978	1,833,011
Investment income	123,999	-	123,999	73,487
	580,869	3,116,718	3,697,587	2,279,023
Expenses:				
Fundraising expenses	101,819	260,406	362,225	441,741
Salaries and benefits	649,423	-	649,423	303,147
Postage, stationery and office supplies	42,170	-	42,170	34,037
Promotion and donor development	36,172	-	36,172	33,290
Accounting fees	24,946	-	24,946	24,946
Professional fees	7,706	-	7,706	7,836
Professional development	3,326	-	3,326	6,340
Amortization	622	-	622	622
Interest and bank charges	3,738	-	3,738	4,269
	869,922	260,406	1,130,328	856,228
Excess of revenue over expenses before the following:	(289,053)	2,856,312	2,567,259	1,422,795
Donations to St. Joseph's Villa	(174,408)	(425,145)	(599,553)	(746,400)
Surplus for the year	(463,461)	2,431,167	1,967,706	676,395
Fund balances, beginning of year	4,425,422	2,486,832	6,912,254	6,235,859
Fund balances, end of year	$ 3,961,961	$ 4,917,999	$ 8,879,960	$ 6,912,254

See accompanying notes to financial statements.

ST. JOSEPH'S VILLA FOUNDATION

Statements of Cash Flows

Year ended March 31, 2019, with comparative figures for 2018

	2019	2018
Cash provided by (used in):		
Operations:		
Surplus for the year	$ 1,967,706	$ 676,395
Items not involving cash:		
Unrealized loss (gain) on investments	(29,846)	75,136
Amortization	622	622
Change in non-cash operating working capital:		
Accounts receivable	817	(2,583)
Prepaid expenses	(1,216)	7,635
Bank overdraft	(26)	26
Accounts payable and accrued liabilities	416,048	(6,494)
Deferred revenue	18,675	(2,212)
	2,372,780	748,525
Investing:		
Investment withdrawals	74,561	456,049
Investment deposits including reinvested earnings	(2,334,065)	(1,081,181)
	(2,259,504)	(625,132)
Financing:		
Purchase of capital assets	-	-
Change in cash	113,276	123,393
Cash, beginning of year	684,307	560,914
Cash, end of year	$ 797,583	$ 684,307

See accompanying notes to financial statements.

The St. Joseph's Villa Foundation, Dundas, Ontario (the "Foundation") is a corporation without share capital incorporated under the laws of the Province of Ontario. Its principal activity is the raising of donation revenue to be used for charitable purposes for St. Joseph's Villa (the "Villa"). Any earnings or other surpluses shall be used in promoting its objectives. As the Foundation is a registered charitable organization, it is exempt from the payment of income taxes under the Income Tax Act (Canada).

The Foundation, as a part of its activities, actively obtains pledges for donations through its planned giving program. These financial statements do not reflect the value of these pledges. Increased activity in this program area has resulted in future expectations with an approximate value of $8,350,000.

Development activities and costs incurred in the year do not necessarily relate to the donations in any one year. The nature of the Foundation's work creates normal donation delays which may result in the costs preceding the receipt of the gifts by several years (for example, gifts in wills).

These financial statements present only the accounts of the Foundation as a separately controlled corporation and do not include the accounts of the Villa.

1. Significant accounting policies:

The Foundation prepares its financial statements in accordance with not-for-profit organizations in Part III of the CPA Handbook.

(a) Funds:

The Foundation follows the restricted fund method of accounting for contributions.

The General Fund is managed at the discretion of the Board of Directors. It accounts for the Foundation's program delivery and administrative activities including the cost of the planned giving program.

Restricted Funds are designated by the donor for specific projects or capital needs within the Villa.

(b) Revenue recognition:

Pledges are recorded as revenue when cash is received.

Investment income (loss) which must be spent on specific activities is recognized in the Restricted Fund. All other investment income (loss) is recognized in the General Fund.

1. Significant accounting policies (continued):

(c) Capital assets:

Purchased capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation’s ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following estimated useful lives:

Asset	Years
Computers	3 years
Equipment	5 years

Included in equipment are paintings that have been received by the Foundation for display in the Villa. These paintings have been recorded at their fair market value of $9,002 at the time of acquisition and are not depreciated.

(d) 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. 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.

1. Significant accounting policies (continued):

(e) 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 date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Investments:

Fair market values and cost values of investments are as follows:

	2019		2018	
	Cost	Fair value	Cost	Fair value
Cash and cash equivalents	$ 1,378,133	$ 1,379,654	$ 1,528,468	$ 1,530,982
Fixed income	2,962,242	2,985,372	2,221,581	2,167,974
Canadian equity	3,748,162	4,264,485	2,078,984	2,641,205
	$ 8,088,537	$ 8,629,511	$ 5,829,033	$ 6,340,161

3. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Computers	$ 61,013	$ 61,013	$ -	$ -
Equipment	50,640	39,771	10,869	11,491
	$ 111,653	$ 100,784	$ 10,869	$ 11,491

4. Other assets:

In prior years, the Foundation received two separate donations of real property of $66,525 and $318,500. These donations were recorded at their receipted value and are presented as deferred revenue until the expiration of the life interests in the properties.

5. Deferred revenue:

Deferred revenue related to expenses of future periods represent unspent externally restricted donations for specific programs and other assets (note 4):

	2019	2018
Balance, beginning of year	$ 464,325	$ 466,537
Less: amount recognized as revenue in the year	(79,300)	(81,512)
Add: amount received related to future periods	97,975	79,300
	$ 483,000	$ 464,325

6. Commitment and contingencies:

In fiscal 2003, the Foundation entered into an agreement with a Lender that provided financing to the Villa for the Villa's building construction. The Foundation has agreed that they will pay the "required contribution amounts" owing to the Lender. The required contribution amounts are determined under the terms of the Credit Agreement between the Lender and the Villa. The required contribution amounts are determined based on the debt service coverage ratio of the Villa. As of March 31, 2019, the amount contributed by the Foundation by way of a letter of credit is $450,000, which is secured by an escrow bank account.

Due to the Foundation's relationship with St. Joseph's Villa there may be litigation pending or in the prospect. With respect to claims at March 31, 2019, management believes that the Foundation has valid defenses. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Foundation's financial position. No provision has been accrued in these financial statements.

7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $3,517 (2018 - $3,359), which includes payroll related taxes.

8. Related entities:

St. Joseph's Villa

The Foundation is a related party to the Villa. Transactions with the Villa during the year not separately disclosed in the financial statements include the following:

(i) An amount of $96,142 (2018 - $55,431) is included in accounts payable and accrued liabilities.

(ii) Salaries and benefits in the amount of $274,423 (2018 - $303,147) were processed by the Villa.

St. Joseph's Healthcare Hamilton Foundation

The Foundation is a related party to St. Joseph's Healthcare Hamilton Foundation ("Healthcare Foundation). Transactions with the Healthcare Foundation during the year not separately disclosed in the financial statements include a donation in the amount of $454,000 related to the Hospice project for 2018 and the next installment is expected to occur in 2020. The total commitment from the Healthcare Foundations donor related to the project is up to $1,500,000. This pledge includes various future payments as well as a life insurance policy and all will flow to the Foundation upon receipt.

9. Financial risks and concentration of risk:

(a) 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 budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2018.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk and equity risk.

The Foundation's investment activities are applied in accordance with investment guidelines and monitored by management, the investment manager and the Board of Directors.