

**UNIVERSITY HOSPITALS KINGSTON
FOUNDATION**

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

MARCH 31, 2018





INDEPENDENT AUDITOR'S REPORT

To: The Executive Committee and the Board of Directors
University Hospitals Kingston Foundation

We have audited the accompanying financial statements of the University Hospitals Kingston Foundation, which comprise the statement of financial position as at March 31, 2018 and the statements of revenue and expenditures, 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 as 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 Foundation'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 Foundation'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 qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to these revenues, the excess of revenue over expenditures and cash flows for the years ended March 31, 2018 and March 31, 2017 and net assets as at March 31, 2018 and March 31, 2017. The audit opinion on the financial statements for the year ended March 31, 2017 was modified accordingly because of these possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University Hospitals Kingston Foundation as at March 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Blay LLP

Kingston, Ontario
June 20, 2018

**Chartered Professional Accountants
Licensed Public Accountants**



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2018

	2018					2017
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total	Total
ASSETS						
Current						
Cash	\$ 201,446	\$ 1,772,562	\$ 5,104,108	\$ 389,441	\$ 7,467,557	\$ 4,141,453
Accounts receivable - Note 3	57,822	-	-	-	57,822	132,745
Prepaid expenses	<u>44,672</u>	<u>-</u>	<u>1,682</u>	<u>-</u>	<u>46,354</u>	<u>45,143</u>
	<u>303,940</u>	<u>1,772,562</u>	<u>5,105,790</u>	<u>389,441</u>	<u>7,571,733</u>	<u>4,319,341</u>
Investments - Note 4	<u>-</u>	<u>10,239,231</u>	<u>22,168,678</u>	<u>19,203,046</u>	<u>51,610,955</u>	<u>51,275,237</u>
Capital assets - Note 5	<u>2,090</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,090</u>	<u>4,559</u>
Cash surrender value of life insurance	<u>1,030</u>	<u>246,846</u>	<u>-</u>	<u>-</u>	<u>247,876</u>	<u>212,931</u>
	<u>\$ 307,060</u>	<u>\$ 12,258,639</u>	<u>\$ 27,274,468</u>	<u>\$ 19,592,487</u>	<u>\$ 59,432,654</u>	<u>\$ 55,812,068</u>
LIABILITIES						
Current						
Accounts payable and accrued liabilities - Note 3	<u>\$ 304,936</u>	<u>\$ -</u>	<u>\$ 1,429,409</u>	<u>\$ -</u>	<u>\$ 1,734,345</u>	<u>\$ 1,007,914</u>
Deferred contributions related to capital assets - Note 6	<u>1,094</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,094</u>	<u>3,975</u>
	<u>306,030</u>	<u>-</u>	<u>1,429,409</u>	<u>-</u>	<u>1,735,439</u>	<u>1,011,889</u>
FUND BALANCES						
Fund balances - Note 8	<u>1,030</u>	<u>12,258,639</u>	<u>25,845,059</u>	<u>19,592,487</u>	<u>57,697,215</u>	<u>54,800,179</u>
	<u>\$ 307,060</u>	<u>\$ 12,258,639</u>	<u>\$ 27,274,468</u>	<u>\$ 19,592,487</u>	<u>\$ 59,432,654</u>	<u>\$ 55,812,068</u>

Approved on behalf of the Board

_____ Member

_____ Member



The accompanying notes are an integral part of these financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2018

	2018				
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total
Balance - beginning of the year	\$ 1,024	\$ 11,558,487	\$ 23,932,998	\$ 19,307,670	\$ 54,800,179
Excess revenue (expenditures) for the year	(475,970)	468,991	2,619,198	284,817	2,897,036
Interfund transfers	<u>475,976</u>	<u>231,161</u>	<u>(707,137)</u>	<u>-</u>	<u>-</u>
Balance - end of the year	<u>\$ 1,030</u>	<u>\$ 12,258,639</u>	<u>\$ 25,845,059</u>	<u>\$ 19,592,487</u>	<u>\$ 57,697,215</u>

	2017				
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total
Balance - beginning of the year	\$ 1,016	\$ 25,872,823	\$ 23,233,641	\$ 18,716,717	\$ 67,824,197
Excess (expenditures) revenue for the year	(1,547,581)	(12,749,921)	1,188,013	85,471	(13,024,018)
Interfund transfers	<u>1,547,589</u>	<u>(1,564,415)</u>	<u>(488,656)</u>	<u>505,482</u>	<u>-</u>
Balance - end of the year	<u>\$ 1,024</u>	<u>\$ 11,558,487</u>	<u>\$ 23,932,998</u>	<u>\$ 19,307,670</u>	<u>\$ 54,800,179</u>



The accompanying notes are an integral part of these financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2018

	2018				2017	
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments		Total
Revenue						
Donations	\$ 1,959,702	\$ 783,469	\$ 6,581,669	\$ 176,193	\$ 9,501,033	\$ 9,750,570
Investment income	75,501	1,256,971	569,808	109,037	2,011,317	2,391,955
Other income - Note 9	18,114	34,940	-	-	53,054	42,278
Realized gain on investments	(248)	8,481	(739)	587	8,081	6,785
Unrealized (loss) gain on investments	-	(1,413,235)	-	-	(1,413,235)	2,572,875
Amortization of deferred capital contributions - Note 6	2,881	-	-	-	2,881	7,910
	<u>2,055,950</u>	<u>670,626</u>	<u>7,150,738</u>	<u>285,817</u>	<u>10,163,131</u>	<u>14,772,373</u>
Expenditures						
Grants to qualified donees - Note 7	-	11,480	4,472,638	-	4,484,118	24,678,259
Other operating expenses - Note 4	684,865	190,155	58,902	1,000	934,922	1,059,467
Salaries and benefits	1,847,055	-	-	-	1,847,055	2,058,665
	<u>2,531,920</u>	<u>201,635</u>	<u>4,531,540</u>	<u>1,000</u>	<u>7,266,095</u>	<u>27,796,391</u>
Excess revenue (expenditures) for the year	<u>\$ (475,970)</u>	<u>\$ 468,991</u>	<u>\$ 2,619,198</u>	<u>\$ 284,817</u>	<u>\$ 2,897,036</u>	<u>\$ (13,024,018)</u>

The accompanying notes are an integral part of these financial statements.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2018

	2018				2017 Total	
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments		Total
Cash flows from operating activities						
Excess revenue (expenditures) for the year	\$ (475,970)	\$ 468,991	\$ 2,619,198	\$ 284,817	\$ 2,897,036	\$ (13,024,018)
Items not requiring cash						
Amortization of capital assets	3,000	-	-	-	3,000	7,910
Amortization of deferred capital contributions	(2,881)	-	-	-	(2,881)	(7,910)
Unrealized loss (gain) on investments	-	1,413,235	-	-	1,413,235	(2,572,875)
Net changes in non-cash working capital						
Accounts receivable	74,851	-	72	-	74,923	(82,440)
Prepaid expenses	(1,486)	-	275	-	(1,211)	4,829
Accounts payable and accrued liabilities	(82,685)	(116,666)	925,782	-	726,431	19,928
Cash flows from operating activities	<u>(485,171)</u>	<u>1,765,560</u>	<u>3,545,327</u>	<u>284,817</u>	<u>5,110,533</u>	<u>(15,654,576)</u>
Cash flows from investing activities						
Change in investment value	-	(1,748,953)	-	-	(1,748,953)	8,216,057
Decrease in advance receivable	-	-	-	-	-	762,724
Change in cash surrender value of life insurance	(6)	(34,939)	-	-	(34,945)	17,363
Purchase of capital assets	(531)	-	-	-	(531)	(582)
Cash flows from investing activities	<u>(537)</u>	<u>(1,783,892)</u>	<u>-</u>	<u>-</u>	<u>(1,784,429)</u>	<u>8,995,562</u>
Interfund transfers	<u>475,976</u>	<u>231,161</u>	<u>(707,137)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash for the year	(9,732)	212,829	2,838,190	284,817	3,326,104	(6,659,014)
Cash at the beginning of the year	<u>211,178</u>	<u>1,559,733</u>	<u>2,265,918</u>	<u>104,624</u>	<u>4,141,453</u>	<u>10,800,467</u>
Cash at the end of the year	<u>\$ 201,446</u>	<u>\$ 1,772,562</u>	<u>\$ 5,104,108</u>	<u>\$ 389,441</u>	<u>\$ 7,467,557</u>	<u>\$ 4,141,453</u>

The accompanying notes are an integral part of these financial statements.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

The University Hospitals Kingston Foundation (the "Foundation") was incorporated on October 7, 2005 without share capital under the Ontario Corporations Act. Its principal activity is to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to charitable organizations that are also registered charities under the Income Tax Act (Canada), and in particular, to support the hospitals in the Kingston region, including Frontenac County, and their respective satellite programs and clinics located in South Eastern Ontario and Northern Ontario.

The Foundation commenced operations in November, 2005 and began receiving donations on behalf of its General Members on December 1, 2005.

On May 22, 2014, an application for Letters Patent of Amalgamation was filed with the office of the Public Guardian and Trustee on behalf of the Kingston General Hospital Foundation, Providence Care Foundation, Jeanne Mance Foundation and University Hospitals Kingston Foundation. The application was accepted with an effective date of July 1, 2014, whereby the parties have continued as one corporation under the corporate name of University Hospitals Kingston Foundation.

The Foundation is incorporated without share capital under the Ontario Corporations Act and is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met. The primary purpose of the Foundation is to act as a single fundraiser for Kingston Health Sciences Centre and Providence Care Centre (together, the "Kingston Hospitals") in order to maximize fundraising revenues and program efficiency to raise funds by way of public appeal for the benefit of the Kingston Hospitals. On April 1, 2017, Kingston General Hospital and the Religious Hospitallers of Saint Joseph of the Hotel Dieu Hospital of Kingston integrated into one hospital with two sites. The new hospital's legal name is the Kingston Health Sciences Centre. The operating agreement, letters patent, and bylaws of the Foundation were amended in the 2017 fiscal year to reflect this integration.

As outlined in the Operating Agreement between the Kingston Hospitals and the Foundation, dated July 1, 2014, the Board of Directors of the Foundation will determine the amount of unrestricted funds that are available for distribution to the Kingston Hospitals, and will determine in collaboration with the Chief Executive Officers of the Kingston Hospitals or their designates, how these funds will be distributed among the Kingston Hospitals.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Fund accounting

The Foundation follows the restricted fund method for accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. The financial statements separately disclose the activities of the following funds maintained by the Foundation:



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

1. Significant accounting policies (continued)

a) Fund accounting (continued)

The Unrestricted and Operating Fund reflects the general fundraising and administrative activities and represents unrestricted resources available for immediate use. The Unrestricted and Operating Fund also receives a transfer from the Restricted - General Designated Fund to recover the Foundation's operating expenses according to the Operating Agreement. Any remaining funds are transferred back to the Restricted - General Designated Fund. The Unrestricted and Operating Fund receives a transfer from the Restricted - Specific Designated Fund which is an administration fee intended to recover operating costs from restricted purpose gifts made on or after April 1, 2005, in accordance with the prescribed rates of the Foundation's Board of Directors' policy. The fee for the current year was set at 15% (2017 - 10%), and fees charged during the year were \$567,078 (2017 - \$658,598). The cost recovery administrative fee structure ensures that donors of both Unrestricted and Restricted Funds contribute to the operations of the Foundation.

The Restricted - General Designated Fund reflects those resources arising from fundraising, investing, granting and administrative activities, the purpose for which has been restricted to grants to the Kingston Hospitals for the highest priority needs of that Hospital. Unrealized gains or losses on investments are reported in this fund.

The Restricted - Specific Designated Fund reflects those resources arising from fundraising and granting, the purpose for which has been restricted to a specific program at any of the Kingston Hospitals. The externally restricted resources include the undistributed balance of the expendable portion of Endowment Fund balances.

Endowment Funds are internally and externally restricted resources that may include an internal or external requirement that the principal be maintained. Once determined, the annual distributable amount of the Endowment Fund is transferred to the appropriate Restricted Fund, where it remains until actual distribution is made.

b) Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, with the exception of investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recorded in the statement of revenue and expenditures in the period incurred.

Financial assets measured at amortized cost include cash and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

1. Significant accounting policies (continued)

c) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. 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 annual rates:

Furniture and equipment	5 years
Leasehold improvements	5 years
Telecommunications equipment	5 years

d) Revenue recognition

Unrestricted contributions are recognized as revenue in the Unrestricted and Operating Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Donor-restricted contributions for specific purposes are recognized as revenue in the Restricted - General or Specific Designated Fund unless the principal is to be maintained permanently, in which case the contributions are recognized as revenue in the Endowment Fund.

Investment income, which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses net of safekeeping and investment management and other investment expenses, is recorded in the statement of revenue and expenditures. Investment income on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Restricted - General Designated Fund. Investment income subject to donor restrictions stipulating that it be added to the principal amount of the endowment is recognized in the Endowment Fund. Unrestricted investment income is recognized in the Restricted General Designated Fund.

Pledges are recorded as revenue on a cash basis and, accordingly, not set up as assets in the financial statements.

Grant revenue is recognized when approval for payment is received and the Foundation has complied with all the terms and conditions.

e) Contributed services

The work of the Foundation is dependent on the voluntary services of many members. Since these services are not normally purchased by the Foundation and because of the difficulty of determining fair market value, contributed services are not recognized in the financial statements.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

1. Significant accounting policies (continued)

f) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates include the useful life of capital assets, the amortized cost of certain investments and accrued liabilities.

2. Pledges

The total amount of pledges outstanding is approximately \$8.4 million at March 31, 2018 (2017 - \$10.7 million). The majority of pledges outstanding are due by March 31, 2023.

3. Government remittances

Included in accounts receivable is HST recoverable of \$35,187 (2017 - \$115,289).

Included in accounts payable and accrued liabilities are government remittances payable of \$57 (2017 - \$868), which includes amounts payable for self-assessed harmonized sales tax.

4. Investments

Investments are comprised of:

	<u>2018</u>	<u>2017</u>
Fixed income bonds (cost \$18,318,011)	\$ 17,584,488	\$ 17,717,199
Equities (cost \$32,093,232)	<u>34,026,467</u>	<u>33,558,038</u>
	<u>\$ 51,610,955</u>	<u>\$ 51,275,237</u>

Investment fees in the amount of \$179,564 (2017 - \$164,752) are included in other operating expenses.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

5. Capital assets

	2018			2017
	Cost	Accumulated Amortization	Net	
Furniture and equipment	\$ 33,694	\$ 32,698	\$ 996	\$ 852
Leasehold improvements	22,055	22,055	-	738
Telecommunications equipment	9,378	8,284	1,094	2,969
	\$ 65,127	\$ 63,037	\$ 2,090	\$ 4,559

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of restricted contributions with which the Foundation has purchased capital assets. The changes in the deferred contribution balance for the year are as follows:

	2018	2017
Balance - beginning of the year	\$ 3,975	\$ 11,885
Less: Amounts amortized to revenue	(2,881)	(7,910)
Balance - end of the year	\$ 1,094	\$ 3,975

7. Related party transactions

During the year, the related parties (the “Kingston Hospitals”) incurred certain expenses on the Foundation’s behalf, including the funding of salaries, wages and other expenses for which the Kingston Hospitals were reimbursed. During the year, aggregate expenses of the Kingston Hospitals for salaries, wages and benefits amounted to \$1,860,643 (2017 - \$1,993,202) while other expenses were \$109,819 (2017 - \$130,067). Included in accounts payable and accrued liabilities is \$245,270 (2017 - \$236,256) payable to Kingston Hospitals relating to the reimbursement of such payments.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

7. Related party transactions (continued)

In addition, the Foundation has other payables and accrued liabilities to the Kingston Hospitals as follows:

	2018	2017
Kingston Health Sciences Centre	\$ 1,240,615	\$ -
Providence Care Centre	177,785	3,092
Kingston General Hospital	-	104,329
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	-	498,086
	\$ 1,418,400	\$ 605,507

The amounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment.

The Foundation made grants to the Kingston Hospitals as follows:

	2018	2017
Kingston Health Sciences Centre	\$ 3,435,586	\$ -
Providence Care Centre	1,048,532	17,492,433
Kingston General Hospital	-	5,709,616
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	-	1,476,210
	\$ 4,484,118	\$ 24,678,259

Periodically, the Foundation may incur expenses with parties with which certain members of its Board of Directors (other than the hospital employees) are associated. During the year, there were no transactions involving the Foundation and these parties (2017 - nil).

Unless otherwise noted, transactions between the Foundation and the Kingston Hospitals are recorded at their carrying amount.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

8. Fund balances

Major categories of fund balances are as follows:

	2018				2017 Total	
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments		Total
Kingston Health Sciences Centre	\$ -	\$ 11,891,866	\$ 20,721,852	\$ 11,922,007	\$ 44,535,725	\$ -
Providence Care Centre	-	312,032	4,743,499	7,324,854	12,380,385	11,812,986
Kingston General Hospital	-	-	-	-	-	33,313,203
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	-	-	-	-	-	8,850,845
University Hospitals Kingston Foundation	<u>1,030</u>	<u>54,741</u>	<u>379,708</u>	<u>345,626</u>	<u>781,105</u>	<u>823,145</u>
	<u>\$ 1,030</u>	<u>\$ 12,258,639</u>	<u>\$ 25,845,059</u>	<u>\$ 19,592,487</u>	<u>\$ 57,697,215</u>	<u>\$ 54,800,179</u>

The University Hospitals Kingston Foundation is an independent legal entity. Ownership of all funds rests solely with the Foundation. The individual hospitals have an advisory role in the recommended use of the funds.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

8. Fund balances (continued)

As stated in its Class B Members Operating Agreement, all costs associated with operating the Foundation are shared based upon a cost sharing formula to be established annually in the Business Plan. Active Campaigning for the Together We Can ("TWC") campaign ceased in June, 2011. For the TWC campaign, the following sharing formula was used:

Kingston General Hospital (formerly Kingston General Hospital Foundation)	59.10%
Providence Care Centre (formerly Providence Care Foundation)	28.20%
Hotel Dieu Hospital (formerly Jeanne Mance Foundation)	<u>12.70%</u>
	<u>100.00%</u>

In July, 2011, a new sharing formula was adopted. The following sharing formulas were also used for operating expenses (excluding expenses incurred for each Class B Member's Signature Event, which are expensed directly):

	<u>2018</u>	<u>2017</u>
Kingston Health Sciences Centre	83.78%	-
Providence Care Centre (formerly Providence Care Foundation)	16.22%	16.22%
Kingston General Hospital (formerly Kingston General Hospital Foundation)	-	71.63%
Hotel Dieu Hospital (formerly Jeanne Mance Foundation)	<u>-</u>	<u>12.15%</u>
	<u>100.00%</u>	<u>100.00%</u>

Donations entirely directed to a specific Class B Member ("Specified") will be allocated in their entirety to the Class B Member's Fund balance. The undesignated revenue ("Shared") will be allocated among the Class B Member's Fund Balance in such a way as to achieve the overall distribution of revenue according to the specified ratios above. Payments on pledges received and payments of new cash received before June 30, 2011 were shared using the TWC sharing formula. Payments on new pledges and payments of new cash received after June 30, 2011 were shared using the new sharing formula.

During the current year, the sharing formula combined the percentages allocated to the Kingston General Hospital and the Hotel Dieu Hospital and applied this allocation to the new Kingston Health Sciences Centre.

The ratio of the final distribution may not equal the above ratio because Signature Events Revenue and Endowments are excluded when calculating the sharing formula. Endowments are excluded from the sharing formula calculations, because they cannot be spent; however, the estimated annual payment for Endowments is included in the sharing formula calculation.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

9. Other income

	<u>2018</u>	<u>2017</u>
Increase in cash surrender value of life insurance policies	\$ 34,940	\$ 14,830
Donations received to offset Foundation operating expenses	<u>18,114</u>	<u>27,448</u>
	<u>\$ 53,054</u>	<u>\$ 42,278</u>

10. Commitments

The Foundation is committed to a lease for office space expiring May 31, 2020. Annual lease and additional operating cost payments due in the next three years are as follows:

2019	\$ 123,650
2020	123,650
2021	<u>20,608</u>
	<u>\$ 267,908</u>

Other commitments primarily relate to the purchase of professional services primarily from the Kingston Hospitals of \$94,250. Total commitments amounting to approximately \$135,743 are expected to be paid over the next fiscal year.

11. Contingent liabilities

The Foundation is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. Subscribers pay annual premiums that are actuarially determined. Subscribers are subject to assessment for losses, if any, experienced by the pool for the years in which they were a subscriber. No assessments have been made to March 31, 2018.

Since its inception in 1987, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. Distributions received from HIROC were \$1,518 (2017 - \$1,466).



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

12. Financial risks

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations as at March 31, 2018.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises as a result of the Foundation's investments. 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. This is done in line with the Foundation's investment policies.

Changes in risk

There have been no changes in the Foundation's risk exposure from the previous year other than those specific matters noted above.

