

**UNIVERSITY HOSPITALS KINGSTON
FOUNDATION**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

MARCH 31, 2019

INDEPENDENT AUDITOR'S REPORT

To: The Members of University Hospitals Kingston Foundation
University Hospitals Kingston Foundation

Qualified Opinion

We have audited the accompanying financial statements of University Hospitals Kingston Foundation which comprise the statement of financial position as at March 31, 2019 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.

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 University Hospitals Kingston Foundation as at March 31, 2019 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.

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 association and we were not able to determine whether any adjustments might be necessary to these revenues, the excess of revenue over expenditures, net assets and cash flows for the years ended March 31, 2019 and March 31, 2018. The audit opinion on the financial statements for the year ended March 31, 2018 was modified accordingly because of these possible effects.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the University Hospitals Kingston Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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 opinion.

Other Matter

The financial statements of University Hospitals Kingston Foundation for the year ended March 31, 2018 were audited by Collins Blay LLP of Kingston, ON, Canada, prior to its merger with MNP LLP. Collins Blay LLP expressed a qualified opinion on those statements on June 20, 2018.

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 University Hospitals Kingston Foundation'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 University Hospitals Kingston Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the University Hospitals Kingston Foundation's financial reporting process.

Auditor's 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 auditor's 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 these 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 University Hospitals Kingston Foundation'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 auditor's 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 auditor's report. However, future events or conditions may cause the University Hospitals Kingston Foundation 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.

We 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.

Kingston, Ontario
June 19, 2019

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

**STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019**

	2019					2018
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total	Total
ASSETS						
Current						
Cash	\$ 114,940	\$ 1,421,659	\$ 4,271,002	\$ 110,758	\$ 5,918,359	\$ 7,467,557
Accounts receivable - Note 3	77,079	-	-	-	77,079	57,822
Prepaid expenses	49,418	-	19,563	-	68,981	46,354
	<u>241,437</u>	<u>1,421,659</u>	<u>4,290,565</u>	<u>110,758</u>	<u>6,064,419</u>	<u>7,571,733</u>
Investments - Note 4	-	14,888,547	25,873,132	19,692,745	60,454,424	51,610,955
Capital assets - Note 5	771	-	-	-	771	2,090
Cash surrender value of life insurance - Note 9	1,039	268,246	-	-	269,285	247,876
	<u>\$ 243,247</u>	<u>\$16,578,452</u>	<u>\$30,163,697</u>	<u>\$19,803,503</u>	<u>\$66,788,899</u>	<u>\$59,432,654</u>
LIABILITIES						
Current						
Accounts payable and accrued liabilities - Note 3	\$ 242,208	\$ 69,715	\$ 891,023	\$ -	\$ 1,202,946	\$ 1,734,345
Deferred contributions related to capital assets - Note 6	-	-	-	-	-	1,094
	<u>242,208</u>	<u>69,715</u>	<u>891,023</u>	<u>-</u>	<u>1,202,946</u>	<u>1,735,439</u>
FUND BALANCES						
Fund balances - Note 8	<u>1,039</u>	<u>16,508,737</u>	<u>29,272,674</u>	<u>19,803,503</u>	<u>65,585,953</u>	<u>57,697,215</u>
	<u>\$ 243,247</u>	<u>\$16,578,452</u>	<u>\$30,163,697</u>	<u>\$19,803,503</u>	<u>\$66,788,899</u>	<u>\$59,432,654</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, 2019

	2019				
	<u>Unrestricted and Operating</u>	<u>Restricted - General Designated</u>	<u>Restricted - Specific Designated</u>	<u>Endowments</u>	<u>Total</u>
Balance - beginning of the year	\$ 1,030	\$12,258,639	\$25,845,059	\$19,592,487	\$57,697,215
Excess revenue for the year	1,218,132	2,413,484	4,046,106	211,016	7,888,738
Interfund transfers	<u>(1,218,123)</u>	<u>1,836,614</u>	<u>(618,491)</u>	-	-
Balance - end of the year	<u>\$ 1,039</u>	<u>\$16,508,737</u>	<u>\$29,272,674</u>	<u>\$19,803,503</u>	<u>\$65,585,953</u>

	2018				
	<u>Unrestricted and Operating</u>	<u>Restricted - General Designated</u>	<u>Restricted - Specific Designated</u>	<u>Endowments</u>	<u>Total</u>
Balance - beginning of the year	\$ 1,024	\$11,558,487	\$23,932,998	\$19,307,670	\$54,800,179
Excess (expenditures) revenue 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>	-	-
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>

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, 2019

	2019						
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total		2018 Total
Revenue							
Donations	\$ 3,852,391	\$ 3,022,944	\$ 6,012,150	\$ 100,264	\$ 12,987,749	\$	9,501,033
Investment income	174,056	2,025,954	576,733	110,758	2,887,501		2,011,317
Realized (loss) gain on investments	(18)	(1,134,563)	(2,075)	(6)	(1,136,662)		8,081
Unrealized gain (loss) on investments	-	2,443,307	-	-	2,443,307		(1,413,235)
Other income - Note 9	23,951	21,399	-	-	45,350		53,054
Amortization of deferred capital contributions - Note 6	1,094	-	-	-	1,094		2,881
	4,051,474	6,379,041	6,586,808	211,016	17,228,339		10,163,131
Expenditures							
Grants to qualified donees - Note 7	-	3,787,163	2,498,690	-	6,285,853		4,484,118
Other operating expenses	863,832	178,394	42,012	-	1,084,238		934,922
Salaries and benefits	1,969,510	-	-	-	1,969,510		1,847,055
	2,833,342	3,965,557	2,540,702	-	9,339,601		7,266,095
Excess revenue for the year	\$ 1,218,132	\$ 2,413,484	\$ 4,046,106	\$ 211,016	\$ 7,888,738	\$	2,897,036

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, 2019**

	2019				2018
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total
Cash flows from operating activities					
Excess revenue for the year	\$ 1,218,132	\$ 2,413,484	\$ 4,046,106	\$ 211,016	\$ 7,888,738
Items not requiring cash					
Amortization of capital assets	1,319	-	-	-	1,319
Amortization of deferred capital contributions	(1,094)	-	-	-	(1,094)
Unrealized (gain) loss on investments	-	(2,443,307)	-	-	(2,443,307)
Net changes in non-cash working capital					
Accounts receivable	(19,257)	-	-	-	(19,257)
Prepaid expenses	(4,746)	-	(17,881)	-	(22,627)
Accounts payable and accrued liabilities	(62,728)	69,715	(538,386)	-	(531,399)
Cash flows from operating activities	<u>1,131,626</u>	<u>39,892</u>	<u>3,489,839</u>	<u>211,016</u>	<u>4,872,373</u>
Cash flows from investing activities					
Change in investment value	-	(2,206,009)	(3,704,454)	(489,699)	(6,400,162)
Change in cash surrender value of life insurance	(9)	(21,400)	-	-	(21,409)
Purchase of capital assets	-	-	-	-	-
Cash flows from investing activities	<u>(9)</u>	<u>(2,227,409)</u>	<u>(3,704,454)</u>	<u>(489,699)</u>	<u>(6,421,571)</u>
Interfund transfers	<u>(1,218,123)</u>	<u>1,836,614</u>	<u>(618,491)</u>	-	-
Net (decrease) increase in cash for the year	<u>(86,506)</u>	<u>(350,903)</u>	<u>(833,106)</u>	<u>(278,683)</u>	<u>(1,549,198)</u>
Cash at the beginning 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>
Cash at the end of the year	<u>\$ 114,940</u>	<u>\$ 1,421,659</u>	<u>\$ 4,271,002</u>	<u>\$ 110,758</u>	<u>\$ 5,918,359</u>
					<u>\$ 7,467,557</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, 2019

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:

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% (2018 - 15%), and fees charged during the year were \$989,786 (2018 - \$567,078). The cost recovery administrative fee structure ensures that donors of both Unrestricted and Restricted Funds contribute to the operations of the Foundation.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

1. Significant accounting policies (continued)

a) Fund accounting (continued)

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.

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

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

1. Significant accounting policies (continued)

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.

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 amortized cost of certain investments and accrued liabilities.

2. Pledges

The total amount of pledges outstanding is approximately \$13.2 million at March 31, 2019 (2018 - \$8.4 million). The majority of pledges outstanding are expected by March 31, 2024.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2019**

3. Government remittances

Included in accounts receivable is HST recoverable of \$48,315 (2018 - \$35,187).

Included in accounts payable and accrued liabilities are government remittances payable of \$700 (2018 - \$57), which includes amounts payable for self-assessed harmonized sales tax.

4. Investments

Investments are comprised of:

	<u>2019</u>	<u>2018</u>
Fixed income bonds (cost \$20,200,298)	\$ 20,594,806	\$ 17,584,488
Equities (cost \$37,810,912)	<u>39,859,618</u>	<u>34,026,467</u>
	<u>\$ 60,454,424</u>	<u>\$ 51,610,955</u>

Investment fees in the amount of \$164,531 (2018 - \$179,564) are included in other operating expenses.

5. Capital assets

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Net</u>
Furniture and equipment	\$ 33,694	\$ 32,923	\$ 771	\$ 996
Leasehold improvements	22,055	22,055	-	-
Telecommunications equipment	<u>9,378</u>	<u>9,378</u>	<u>-</u>	<u>1,094</u>
	<u>\$ 65,127</u>	<u>\$ 64,356</u>	<u>\$ 771</u>	<u>\$ 2,090</u>

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:

	<u>2019</u>	<u>2018</u>
Balance - beginning of the year	\$ 1,094	\$ 3,975
Less: Amounts amortized to revenue	<u>(1,094)</u>	<u>(2,881)</u>
Balance - end of the year	<u>\$ -</u>	<u>\$ 1,094</u>

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

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 \$1,969,510 (2018 - \$1,860,643) while other expenses were \$66,587 (2018 - \$109,819). Included in accounts payable and accrued liabilities is \$190,505 (2018 - \$245,270) payable to Kingston Hospitals relating to the reimbursement of such payments.

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

	<u>2019</u>	<u>2018</u>
Kingston Health Sciences Centre	\$ 792,708	\$ 1,240,615
Providence Care Centre	<u>102,874</u>	<u>177,785</u>
	<u>\$ 895,582</u>	<u>\$ 1,418,400</u>

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:

	<u>2019</u>	<u>2018</u>
Kingston Health Sciences Centre	\$ 5,769,357	\$ 3,435,586
Providence Care Centre	<u>516,496</u>	<u>1,048,532</u>
	<u>\$ 6,285,853</u>	<u>\$ 4,484,118</u>

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 (2018 - 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, 2019**

8. Fund balances

Major categories of fund balances are as follows:

	2019				2018 Total
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	
Kingston Health Sciences Centre	\$ -	\$ 15,262,214	\$ 23,218,378	\$ 12,094,420	\$ 50,575,012
Providence Care Centre	-	1,182,501	5,659,184	7,361,479	14,203,164
University Hospitals Kingston Foundation	1,039	64,022	395,112	347,604	807,777
	<u>\$ 1,039</u>	<u>\$ 16,508,737</u>	<u>\$ 29,272,674</u>	<u>\$ 19,803,503</u>	<u>\$ 65,585,953</u>
					<u>\$ 57,697,215</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, 2019

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 June, 2011, a new sharing formula was adopted. This formula was modified again in March 2019. 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):

	2019	2018
Kingston Health Sciences Centre	83.65%	83.78%
Providence Care Centre (formerly Providence Care Foundation)	<u>16.35%</u>	<u>16.22%</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.

In the 2018 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, 2019

9. Other income

	<u>2019</u>	<u>2018</u>
Increase in cash surrender value of life insurance policies	\$ 21,406	\$ 34,940
Donations received to offset Foundation operating expenses	<u>23,944</u>	<u>18,114</u>
	<u>\$ 45,350</u>	<u>\$ 53,054</u>

The Foundation is the beneficiary of six life insurance policies that have been gifted by donors. Total death benefits amount to \$1,161,216 and will be payable to the Foundation upon the passing of the insured. Premiums paid during the year amounted to \$5,289 (2018 - \$5,289) and are included in other operating expenses.

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 two years are as follows:

2020	\$ 123,650
2021	<u>20,608</u>
	<u>\$ 144,258</u>

Other commitments amounting to \$155,496 are expected to be paid over the next fiscal year which include commitments relating primarily to the purchase of professional services from the Kingston Health Sciences Centre in the amount of \$94,250.

The Foundation has committed \$49,000,000 to the Kingston Health Sciences Centre ("KHSC") and the Ministry of Health for the KHSC Phase 2 Redevelopment project by March 31, 2031 of which \$40,000,000 will be provided at the time of substantial completion of this project, estimated to be March 31, 2026.

The Foundation has committed \$10,000,000 to Providence Care Centre for the Manor Redevelopment project to be completed by March 31, 2025.

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, 2019.

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 \$972 (2018 - \$1,518).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2019

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, 2019.

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.