

University Hospitals Kingston Foundation
Financial Statements

March 31, 2020

Independent Auditor's Report

To the Members of University Hospitals Kingston Foundation:

Qualified Opinion

We have audited the financial statements of University Hospitals Kingston Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2020, and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2020, 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.

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, net assets and cash flows for the year ended March 31, 2020. The audit opinion on the financial statements for the year ended March 31, 2019 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 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 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 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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 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 Foundation'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 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 24, 2020

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

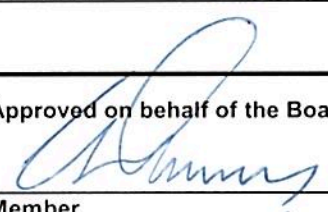
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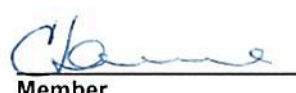
University Hospitals Kingston Foundation
Statement of Financial Position

As at March 31, 2020

	<i>Unrestricted and Operating</i>	<i>Restricted - General Designated</i>	<i>Restricted - Specific Designated</i>	<i>Endowments</i>	2020	2019
Assets						
Current						
Cash	538,725	1,041,348	10,300,337	327,322	12,207,732	5,918,360
Accounts receivable (Note 4)	78,771	-	-	-	78,771	77,079
Prepaid expenses	41,892	-	19,458	-	61,350	68,981
	659,388	1,041,348	10,319,795	327,322	12,347,853	6,064,420
Investments (Note 5)	-	12,598,512	25,873,133	19,692,744	58,164,389	60,454,425
Capital assets (Note 6)	546	-	-	-	546	771
Cash surrender value of life insurance (Note 10)	1,046	277,073	-	-	278,119	269,285
	660,980	13,916,933	36,192,928	20,020,066	70,790,907	66,788,901
Liabilities						
Current						
Accounts payable and accrued liabilities (Note 4) (Note 8)	659,933	28,425	628,638	-	1,316,996	1,202,948
Contingencies (Note 12)						
Subsequent event (Note 14)						
Net Assets						
Fund balances (Note 9)	1,047	13,888,508	35,564,290	20,020,066	69,473,911	65,585,953
	660,980	13,916,933	36,192,928	20,020,066	70,790,907	66,788,901

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 Revenues and Expenses

For the year ended March 31, 2020

	<i>Unrestricted and Operating</i>	<i>Restricted - General Designated</i>	<i>Restricted - Specific Designated</i>	<i>Endowments</i>	2020	2019
Revenue						
Donations	1,461,376	1,033,835	8,359,065	116,952	10,971,228	12,987,749
Investment income						
Investment income	178,233	1,986,278	594,322	99,602	2,858,435	2,887,501
Realized gain (loss) on investments	601	328,011	(2,952)	9	325,669	(1,136,662)
Unrealized (loss) gain on investments	-	(5,027,910)	-	-	(5,027,910)	2,443,307
Other income (Note 10)	16,089	8,828	-	-	24,917	45,350
Amortization of deferred capital contributions (Note 7)	-	-	-	-	-	1,094
	1,656,299	(1,670,958)	8,950,435	216,563	9,152,339	17,228,339
Expenses						
Grants to qualified donees (Note 8)	-	30,242	1,779,790	-	1,810,032	6,285,853
Other operating expenses	862,175	293,743	58,547	-	1,214,465	1,084,240
Salaries and benefits	2,239,884	-	-	-	2,239,884	1,969,510
	3,102,059	323,985	1,838,337	-	5,264,381	9,339,603
Excess (deficiency) of revenue over expenses	(1,445,760)	(1,994,943)	7,112,098	216,563	3,887,958	7,888,736

The accompanying notes are an integral part of these financial statements

University Hospitals Kingston Foundation
Statement of Changes in Net Assets

For the year ended March 31, 2020

	<i>Unrestricted and Operating</i>	<i>Restricted - General Designated</i>	<i>Restricted - Specific Designated</i>	<i>Endowments</i>	2020	2019
Net assets, beginning of year	1,039	16,508,737	29,272,674	19,803,503	65,585,953	57,697,217
Excess (deficiency) of revenue over expenses	(1,445,760)	(1,994,943)	7,112,098	216,563	3,887,958	7,888,736
Interfund transfers	1,445,768	(625,286)	(820,482)	-	-	-
Net assets, end of year	1,047	13,888,508	35,564,290	20,020,066	69,473,911	65,585,953

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, 2020

	<i>Unrestricted and Operating</i>	<i>Restricted - General Designated</i>	<i>Restricted - Specific Designated</i>	<i>Endowments</i>	2020	2019
Cash provided by (used for) the following activities						
Operating						
Excess (deficiency) of revenue over expenses	(1,445,760)	(1,994,943)	7,112,098	216,563	3,887,958	7,888,736
Amortization of capital assets	225	-	-	-	225	1,319
Amortization of deferred capital contributions	-	-	-	-	-	(1,094)
Unrealized (gain) loss on investments	-	5,027,910	-	-	5,027,910	(2,443,307)
	(1,445,535)	3,032,967	7,112,098	216,563	8,916,093	5,445,654
Changes in working capital accounts						
Accounts receivable	(1,692)	-	-	-	(1,692)	(19,257)
Prepaid expenses	7,526	-	105	-	7,631	(22,627)
Accounts payable and accrued liabilities	417,725	(41,291)	(262,386)	-	114,048	(531,397)
	(1,021,976)	2,991,676	6,849,817	216,563	9,036,080	4,872,373
Investing						
Change in investment value	-	(2,737,874)	-	-	(2,737,874)	(6,400,163)
Change in cash surrender value of life insurance	(7)	(8,827)	-	-	(8,834)	(21,406)
	(7)	(2,746,701)	-	-	(2,746,708)	(6,421,569)
Increase (decrease) in cash resources	(1,021,983)	244,975	6,849,817	216,563	6,289,372	(1,549,196)
Interfund transfers	1,445,768	(625,286)	(820,482)	-	-	-
Cash resources, end of year	538,725	1,041,348	10,300,337	327,322	12,207,732	5,918,360

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, 2020

1. Incorporation and nature of the organization

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 ("the Act"), 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 ("KGHF"), Providence Care Foundation ("PCF"), Jeanne Mance Foundation ("JMF") and University Hospitals Kingston Foundation ("UHKF"). 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 Act and accordingly is exempt from income taxes, provided certain requirements of the Act are met. The primary purpose of the Foundation is to act as a single fundraiser for Kingston Health Sciences Centre ("KHSC") and Providence Care Centre ("PCC") (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 ("KGH") and the Religious Hospitaliers of Saint Joseph of the Hotel Dieu Hospital of Kingston ("HDH") 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.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions, and maintains four funds: Unrestricted and Operating, Restricted - General Designated, Restricted - Specific Designated, and Endowments.

The Unrestricted and Operating Fund reports the Foundation's 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 allocation to unrestricted 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 allocation to unrestricted for the current year was set at 15% (2019 - 15%), and amounts allocated during the year were \$866,239 (2019 - \$989,786). The cost recovery administrative allocation to unrestricted 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.

The Endowment Fund reports the Foundation's 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.

Financial instruments

The Foundation recognizes its financial instruments when the Foundation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value with the exception of financial assets and liabilities originated and issued in all related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (refer to Note 8).

The Foundation subsequently measures investments quoted in an active market at fair value. Changes in fair value are recorded in the statement of revenue and expenditures in the period incurred. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial assets measured at amortized cost includes 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, 2020

Financial asset impairment

The Foundation assesses impairment of all of its financial assets measured at amortized cost. When there is an indication of impairment, the Foundation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Foundation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Foundation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the excess of excess in the year the reversal occurs.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution plus all costs directly attributable to the acquisition. Repairs and maintenance costs are charges 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.

Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

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

Revenue recognition

The Foundation uses the restricted fund method of accounting for contributions. Unrestricted contributions are recognized as revenue of the Unrestricted and Operating Fund in the year 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 receivables in the financial statements.

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.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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 reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the period in which they become known. Significant estimates include the amortized cost of certain investments and accrued liabilities.

University Hospitals Kingston Foundation
Notes to the Financial Statements
For the year ended March 31, 2020

Adoption of new and amended accounting standards

Effective January 1, 2019, the Foundation adopted the Accounting Standard Board's (AcSB) recommendations related to accounting standards improvements for not-for-profit organizations:

- Section 4433 Tangible Capital Assets Held by not-for-profit organizations

Pursuant to the recommendations, these changes were applied prospectively and prior periods have not been restated. There was no impact on the financial statements resulting from adopting the new standards.

3. Pledges and bequests

At March 31, 2020, the Foundation had pledges receivable amounting to approximately \$19.6 million (2019 – \$13.2 million). These pledges are not included in the financial statements because their ultimate collection cannot be reasonably assured. The majority of pledges outstanding are expected by March 31, 2024.

4. Government remittances

Included in accounts receivable is HST recoverable of \$46,684 (2019 - \$48,315).

Included in accounts payable and accrued liabilities are government remittances payable of \$186 (2019 - \$700), which includes amounts payable for self-assessed HST.

5. Investments

	2020	2019
Fixed income bonds (cost \$22,135,459)	22,439,372	20,594,806
Equities (cost \$38,699,699)	35,725,017	39,859,619
	58,164,389	60,454,425

Investment fees in the amount of \$274,093 (2019 - \$164,531) are included in other operating expenses.

6. Capital assets

	Cost	Accumulated amortization	2020 Net book value	2019 Net book value
Furniture and equipment	33,694	33,148	546	771
Leasehold improvements	22,055	22,055	-	-
Telecommunications equipment	9,378	9,378	-	-
	65,127	64,581	546	771

In the prior year, capital assets had an aggregate cost of \$65,127 and aggregate accumulated amortization of \$64,356.

University Hospitals Kingston Foundation
Notes to the Financial Statements
For the year ended March 31, 2020

7. 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:

	2020	2019
Balance, beginning of year	-	1,094
Less: Amounts recognized as revenue during the year	-	(1,094)
Balance, end of year	-	-

8. Related party transactions

During the year, 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 \$2,239,884 (2019 - \$1,969,510) while other expenses were \$73,421 (2019 - \$66,587). Included in accounts payable and accrued liabilities is \$294,398 (2019 - \$190,505) 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:

	2020	2019
KHSC	532,669	792,708
PCC	27,541	102,874
	560,210	895,582

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:

	2020	2019
KHSC	1,523,397	5,769,357
PCC	286,635	516,496
	1,810,032	6,285,853

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 (2019 - 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, 2020

9. Fund balances

Major categories of fund balances are as follows:

	<i>Unrestricted and Operating</i>	<i>Restricted - General Designated</i>	<i>Specific Designated</i>	<i>Endowments</i>	2020	2019
KHSC	-	13,910,042	27,960,328	12,272,338	54,142,708	50,575,012
PCC	-	(64,316)	7,211,328	7,398,286	14,545,298	14,203,164
UHKF	1,047	42,782	392,634	349,442	785,905	807,777
	1,047	13,888,508	35,564,290	20,020,066	69,473,911	65,585,953

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

As stated in its Class B Members Operating Agreement, all costs associated with operating the Foundation are shared 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:

KGH (formerly KGHF)	59.10 %
PCC (formerly PCF)	28.20 %
HDH (formerly JMF)	12.70 %
	100.00 %

In June 2011, a new sharing formula was adopted. This formula was modified again in March 2020. 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):

	2020	2019
KHSC	84.02 %	83.65 %
PCC (formerly PCF)	15.98 %	16.35 %
	100.00 %	100.00 %

Donations entirely directed to a specific Class B Member ("Specified") will be allocated 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.

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, 2020

10. Other income

	<i>2020</i>	<i>2019</i>
Increase in cash surrender value of life insurance policies	8,828	21,406
Donations received to offset Foundation operating expenses	16,089	23,944
	24,917	45,350

The Foundation is the beneficiary of five (2019 - six) life insurance policies that have been gifted by donors. Total death benefits amount to \$1,141,216 (2019 - \$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 (2019 - \$5,289) and are included in other operating expenses.

11. Commitments

The Foundation has entered into a lease agreement for office space expiring May 31, 2022 with estimated minimum annual payments as follows:

2021	130,016
2022	130,016
2023	23,156
	283,188

Other commitments amounting to \$129,841 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 \$3,917,172 in grants to qualified donees awaiting invoice from the Kingston Hospitals.

The Foundation has committed \$49,000,000 to the Kingston Health Sciences Centre 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 \$15,000,000 to the Providence Care Centre for the Manor Redevelopment project to be completed by December 31, 2024.

University Hospitals Kingston Foundation

Notes to the Financial Statements

For the year ended March 31, 2020

12. Contingencies

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, 2020.

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 \$1,001 (2019 - \$972).

13. Financial instruments

The Foundation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Foundation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk as a result of its investments. Fluctuations in market prices 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.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The exposure of the Foundation to interest rate risk arises from its investments.

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

14. Subsequent event

As of and subsequent to the Foundation's year-end, the global outbreak of COVID-19 (coronavirus), has had a significant impact on businesses and not-for-profit organizations through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Foundation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures and disruptions, and quarantine/isolation measures that are currently, or may be, put in place by Canada and other countries to fight the virus.

As of the date of these financial statements, the Foundation has not experienced a decline in public donations as compared with the previous year. However, several planned fundraising events have been postponed or cancelled and the Foundation's operating budget adjusted accordingly. Management and the Board of Directors continue to monitor COVID-19 matters and their effects on the Foundation on an ongoing basis.