

Financial Statements of

**UNIVERSITY HOSPITALS
KINGSTON FOUNDATION**

Year ended March 31, 2022

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

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Year ended March 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Members of University Hospitals Kingston Foundation

Qualified Opinion

We have audited the financial statements of University Hospitals Kingston Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "***Basis for Qualified Opinion***" section of our report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, changes in net assets 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 Entity 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 Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets and net assets reported in the statement of financial position as at March 31, 2022 and March 31, 2021
- the donations revenue and excess (deficiency) of revenue over expenses reported in the statement of operations for the years ended March 31, 2022 and March 31, 2021
- the net assets, at the beginning and end of the year, reported in the statement of changes in net assets for the years ended March 31, 2022 and March 31, 2021
- the excess (deficiency) of revenues over expenses reported in the statement of cash flows for the years ended March 31, 2022 and March 31, 2021



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The predecessor auditor's opinion on the financial statements for the year ended March 31, 2021 and our opinion on the financial statements for the year ended March 31, 2022 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "*Auditors' Responsibilities for the Audit of the Financial Statements*" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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.

Other Matter – Comparative Information

The financial statements for the year ended March 31, 2021 were audited by another auditor who expressed a qualified opinion on those financial statements on June 23, 2021 due to the matter described in the "*Basis for Qualified Opinion*" section.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 22, 2022

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Financial Position

March 31, 2022, with comparative information for 2021

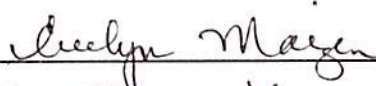
	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2022	2021
Assets						
Current assets:						
Cash	\$ 190,456	\$ 4,887,695	\$ 14,751,020	\$ 381,818	\$ 20,210,989	\$ 13,903,399
Accounts receivable (note 4)	98,962	-	-	-	98,962	172,489
Prepaid expenses	66,449	-	-	-	66,449	37,228
	355,867	4,887,695	14,751,020	381,818	20,376,400	14,113,116
Investments (note 5)	-	19,260,605	62,820,760	23,078,990	105,160,355	80,935,838
Cash surrender value of life insurance (note 9)	1,061	494,219	-	-	495,280	479,554
	\$ 356,928	\$ 24,642,519	\$ 77,571,780	\$ 23,460,808	\$ 126,032,035	\$ 95,528,508


Liabilities and Net Assets

Liabilities						
Accounts payable and accrued liabilities (notes 4 and 7)	\$ 355,867	\$ 787,453	\$ 7,704,730	\$ 6,839	\$ 8,854,889	\$ 945,170
Fund balances (note 8)	1,061	23,855,066	69,867,050	23,453,969	117,177,146	94,583,338
Commitments (note 11)						
Contingencies (note 12)						
	\$ 356,928	\$ 24,642,519	\$ 77,571,780	\$ 23,460,808	\$ 126,032,035	\$ 95,528,508

See accompanying notes to financial statements.

On behalf of the Board:

 Member

 Member

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2022	2021
Revenue:						
Donations	\$ 3,678,796	\$ 2,310,138	\$ 23,321,726	\$ 187,702	\$ 29,498,362	\$ 15,346,401
Investment income						
Investment income	198,996	1,850,823	704,585	325,812	3,080,216	4,169,579
Realized gain (loss) on investments	(300)	6,156,737	(112,132)	75,748	6,120,053	270,615
Unrealized gain (loss) on investments	–	(5,288,084)	–	(1,084,537)	(6,372,621)	11,748,733
Other income (note 9)	9,039	15,719	–	–	24,758	211,805
	3,886,531	5,045,333	23,914,179	(495,275)	32,350,768	31,747,133
Expenses:						
Grants to qualified donees (note 7)	–	1,260,595	10,898,698	–	12,159,293	3,326,370
Other operating expenses	1,357,270	295,983	64,073	71,146	1,788,472	1,145,866
Salaries and benefits	2,383,985	–	–	–	2,383,985	2,165,470
	3,741,255	1,556,578	10,962,771	71,146	16,331,750	6,637,706
Excess (deficiency) of revenue over expenses before the undernoted	145,276	3,488,755	12,951,408	(566,421)	16,019,018	25,109,427
Transfer of assets from Hospice Kingston (note 10)	–	–	6,385,230	189,560	6,574,790	–
Excess (deficiency) of revenue over expenses	\$ 145,276	\$ 3,488,755	\$ 19,336,638	\$ (376,861)	\$ 22,593,808	\$ 25,109,427

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2022	2021
Net assets, beginning of year	\$ 1,054	\$ 29,769,205	\$ 41,884,316	\$ 22,928,763	\$ 94,583,338	\$ 69,473,911
Excess (deficiency) of revenue over expenses	145,276	3,488,755	19,336,638	(376,861)	22,593,808	25,109,427
Interfund transfers	(145,269)	(9,402,894)	8,646,096	902,067	—	—
Net assets, end of year	\$ 1,061	\$ 23,855,066	\$ 69,867,050	\$ 23,453,969	\$ 117,177,146	\$ 94,583,338

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2022	2021
Cash provided by (used for):						
Operating activities:						
Excess (deficiency) of revenue over expenses	\$ 145,276	\$ 3,488,755	\$ 19,336,638	\$ (376,861)	\$ 22,593,808	\$ 25,109,427
Items not involving cash:						
Amortization of capital assets	-	-	-	-	-	546
Unrealized (gain) loss on investments		5,288,084		1,084,537	6,372,621	(11,748,733)
Change in cash surrender value of life insurance	(7)	(15,719)	-	-	(15,726)	(201,435)
Change in non-cash operating working capital:						
Accounts receivable	73,527	-	-	-	73,527	(93,718)
Prepaid expenses	(29,221)	-	-	-	(29,221)	24,122
Accounts payable and accrued liabilities	54,809	754,649	7,093,423	6,838	7,909,719	(371,826)
	244,384	9,515,769	26,430,061	714,514	36,904,728	12,718,383
Investing activities:						
Purchase (disposal) of investments	-	3,821,271	(30,628,554)	(3,789,855)	(30,597,138)	(11,022,716)
Increase (decrease) in cash	244,384	13,337,040	(4,198,493)	(3,075,341)	6,307,590	1,695,667
Cash, beginning of year	91,341	953,549	10,303,417	2,555,092	13,903,399	12,207,732
Interfund transfers	(145,269)	(9,402,894)	8,646,096	902,067	-	-
Cash, end of year	\$ 190,456	\$ 4,887,695	\$ 14,751,020	\$ 381,818	\$ 20,210,989	13,903,399

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements

Year ended March 31, 2022

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 support its healthcare partners 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 Income Tax Act (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 Hospitallers of Saint Joseph of the Hotel Dieu Hospital of Kingston ("HOH") 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.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The significant accounting policies are summarized as follows:

(a) 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% (2021 - 15%), and amounts allocated during the year were \$3,121,396 (2021 - \$1,439,559). 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 externally restricted resources that may include an 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.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(b) 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 (note 7).

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

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

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

(c) Financial asset impairment:

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. 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 the Statement of Operations.

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 Statement of Operations in the year the reversal occurs, not exceeding the initial carrying value.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(d) 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, as follows:

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

The carrying amount of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

(e) 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 Operations. Investment income on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Endowment 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.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

2. Significant accounting policies (continued):

(f) 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.

(g) 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. Actual results could differ from these estimates.

3. Pledges and bequests:

At March 31, 2022, the Foundation had pledges receivable amounting to approximately \$54.1 million (2021 - \$22.4 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, 2027.

4. Government remittances:

Included in accounts receivable is HST recoverable of \$69,698 (2021 - \$47,456).

Included in accounts payable and accrued liabilities are government remittances payable of \$494 (2021 - \$92), which includes amounts payable for self-assessed HST.

5. Investments:

	2022	2021
Fixed income bonds (cost \$68,845,187, 2021 - \$26,616,721)	\$ 64,973,726	\$ 26,002,451
Equities (cost \$33,278,052, 2021 - \$45,230,040)	36,266,075	54,933,387
Other (cost \$4,271,467, 2021 - \$Nil)	3,920,554	-
	<u>\$ 105,160,355</u>	<u>\$ 80,935,838</u>

Investment fees in the amount of \$358,683 (2021 - \$269,311) are included in other operating expenses.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

6. Capital assets:

			2022		2021	
	Cost	Accumulated amortization	Net book value		Net book value	
Furniture and equipment	\$ 33,694	\$ 33,694	\$ -	\$	-	-
Leasehold improvements	22,055	22,055	-		-	-
Telecommunications equipment	9,378	9,378	-		-	-
	\$ 65,127	\$ 65,127	\$ -	\$	-	-

Cost and accumulated amortization at March 31, 2021 amounted to \$65,127 and \$65,127, respectively.

7. 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 \$2,383,985 (2021 - \$2,165,470) while other expenses were \$65,518 (2021 - \$75,236). Included in accounts payable and accrued liabilities is \$242,342 (2021 - \$216,444) 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:

	2022		2021	
KHSC	\$ 8,342,950	\$	590,339	
PCC	117,251		20,813	
	\$ 8,460,201	\$	611,152	

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

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. Related party transactions (continued):

The Foundation made grants to the Kingston Hospitals as follows:

	2022	2021
KHSC	\$ 10,673,093	\$ 2,915,311
PCC	1,486,200	411,059
	<u>\$ 12,159,293</u>	<u>\$ 3,326,370</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 (2021 - \$Nil).

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

8. Fund balances:

	Unrestricted and operating	Restricted - General designated	Restricted - Specific designated	Endowments	2022	2021
KHSC	\$ -	\$20,619,570	\$52,087,548	\$14,352,734	\$87,059,852	\$72,714,309
PCC	-	3,231,415	17,300,854	8,637,544	29,169,813	18,653,713
UHKF	1,061	4,081	478,648	463,691	947,481	3,215,316
	<u>\$ 1,061</u>	<u>\$23,855,066</u>	<u>\$69,867,050</u>	<u>\$23,453,969</u>	<u>\$117,177,146</u>	<u>\$94,583,338</u>

Included in Endowments above is \$749,747 (2021 - \$2,350,657) allocated to the Stabilization Account, which is to assist in maintaining the stability of the annual spending allocations. The Stabilization Account will not exceed 15% of the value of the Endowments overall.

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.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

8. Fund balances (continued):

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 in March 2021. 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):

	2022	2021
KHSC	84.03%	84.42%
PCC (formerly PCF)	15.97%	15.58%
	100.0%	100.0%

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.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

9. Other income:

	2022	2021
Increase in cash surrender value of life insurance policies	\$ 15,727	\$ 201,435
Donations received to offset Foundation operating expenses	9,031	10,370
	<u>\$ 24,758</u>	<u>\$ 211,805</u>

The Foundation is the beneficiary of six (2021 - six) life insurance policies that have been gifted by donors. Total death benefits amount to \$2,141,216 (2021 - \$2,141,216) and will be payable to the Foundation upon the passing of the insured. Premiums paid during the year amounted to \$10,189 (2021 - \$9,808) and are included in other operating expenses.

10. Transfer of assets from Hospice Kingston:

On March 31, 2022, the Foundation and Hospice Kingston Inc. executed deeds of appointment for funds established by Hospice Kingston Inc. as a condition of the Hospice Kingston Inc. and Providence Care Centre Transfer Agreement. As a result, the Foundation became trustee of the Building Fund (\$6,385,230) and the Grace Margaret Whyte Endowment Fund (\$189,560). The funds were received in cash by the Foundation for no consideration and have been recognized on the Statement of Operations.

11. Commitments:

The Foundation has entered into a lease agreement for office space expiring May 31, 2024 with estimated minimum annual payments as follows:

2023	\$	107,819
2024		107,819
2025		17,970

Other commitments amounting to \$58,342 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 \$36,791.

The Foundation has committed \$4,345,847 in grants to qualified donees awaiting invoice from the Kingston Hospitals.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

11. Commitments (continued):

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.

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, 2022.

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 \$Nil (2021 - \$Nil).

13. Financial risk management:

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.

(a) 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.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2022

13. Financial instruments (continued):

(b) 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 exposures from the previous year.

14. Impact of COVID-19 pandemic:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization resulting in significant local and global impacts. As of March 31, 2022, the pandemic is ongoing which continues to have the potential to create financial stress on the Foundation.

At this time, the ongoing COVID-19 pandemic presents uncertainty over future cash flows, may cause significant changes to the assets and liabilities, and may have a significant impact on future operations. The Foundation continues to monitor and assess the effect that COVID-19 will have on its operations and financial results. At this time, these factors present uncertainty over future cash flows, may cause significant changes to the assets or liabilities and may have a significant impact on future operations. An estimate of the financial effect is not practicable at this time.

