

Financial Statements of

**UNIVERSITY HOSPITALS
KINGSTON FOUNDATION**

Year ended March 31, 2023

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

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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 auditor's 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.

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.

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 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.



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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 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 27, 2023

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

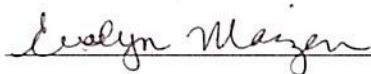
	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2023	2022
Assets						
Current assets:						
Cash	\$ 12,575	\$ 2,634,723	\$ 7,995,941	\$ 1,981,400	\$ 12,624,639	\$ 20,210,989
Accounts receivable (note 4)	149,528	—	—	—	149,528	98,962
Prepaid expenses	111,578	—	—	—	111,578	66,449
	273,681	2,634,723	7,995,941	1,981,400	12,885,745	20,376,400
Investments (note 5)	—	22,016,906	73,622,659	17,665,249	113,304,814	105,160,355
Cash surrender value of life insurance (note 9)	1,076	134,394	—	—	135,470	495,280
	\$ 274,757	\$ 24,786,023	\$ 81,618,600	\$ 19,646,649	\$ 126,326,029	\$ 126,032,035

Liabilities and Net Assets

Liabilities:						
Accounts payable and accrued liabilities (notes 4 and 7)	\$ 273,682	\$ 24,753	\$ 241,826	\$ 9,508	\$ 549,769	\$ 8,854,889
Fund balances (note 8)	1,075	24,761,270	81,376,774	19,637,141	125,776,260	117,177,146
Commitments (note 12)						
Contingencies (note 13)						
	\$ 274,757	\$ 24,786,023	\$ 81,618,600	\$ 19,646,649	\$ 126,326,029	\$ 126,032,035

See accompanying notes to financial statements.

On behalf of the Board:

 Member

 Member

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Operations

Year ended March 31, 2023, with comparative information for 2022

	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2023	2022
Revenue:						
Donations	\$ 1,969,573	\$ 914,844	\$ 13,465,577	\$ 1,035,804	\$ 17,385,798	\$ 29,498,362
Investment income						
Investment income	413,892	2,829,597	650,431	–	3,893,920	3,080,216
Realized gain (loss) on investments	513	(755,993)	11,917	160,881	(582,682)	6,120,053
Unrealized gain (loss) on investments	–	(157,334)	–	(576,259)	(733,593)	(6,372,621)
Other income (loss) (note 9)	3,799	(359,825)	–	376,724	20,698	24,758
	2,387,777	2,471,289	14,127,925	997,150	19,984,141	32,350,768
Expenses:						
Grants to qualified donees (note 7)	–	1,237,434	5,856,927	–	7,094,361	12,159,293
Other operating expenses	1,222,454	337,936	76,760	75,403	1,712,553	1,788,472
Salaries and benefits	2,765,559	–	–	–	2,765,559	2,383,985
	3,988,013	1,575,370	5,933,687	75,403	11,572,473	16,331,750
Excess (deficiency) of revenue over expenses before the undernoted	(1,600,236)	895,919	8,194,238	921,747	8,411,668	16,019,018
Transfer of assets from Hospice Kingston (note 10)	–	–	–	187,446	187,446	6,574,790
Excess (deficiency) of revenue over expenses	\$ (1,600,236)	\$ 895,919	\$ 8,194,238	\$ 1,109,193	\$ 8,599,114	\$ 22,593,808

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2023	2022
Net assets, beginning of year	\$ 1,061	\$ 23,855,066	\$ 69,867,050	\$ 23,453,969	\$ 117,177,146	\$ 94,583,338
Excess (deficiency) of revenue over expenses	(1,600,236)	895,919	8,194,238	1,109,193	8,599,114	22,593,808
Interfund transfers	1,600,250	10,285	3,315,486	(4,926,021)	-	-
Net assets, end of year	\$ 1,075	\$ 24,761,270	\$ 81,376,774	\$ 19,637,141	\$ 125,776,260	\$ 117,177,146

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	Unrestricted and operating	Restricted - general designated	Restricted - specific designated	Endowments	2023	2022
Cash provided by (used for):						
Operating activities:						
Excess (deficiency) of revenue over expenses	\$ (1,600,236)	\$ 895,919	\$ 8,194,238	\$ 1,109,193	\$ 8,599,114	\$ 22,593,808
Items not involving cash:						
Unrealized (gain) loss on investments	–	(157,335)	–	(576,259)	(733,594)	6,372,621
Change in cash surrender value of life insurance	(14)	359,825	–	–	359,811	(15,726)
Change in non-cash operating working capital:						
Accounts receivable	(50,566)	–	–	–	(50,566)	73,527
Prepaid expenses	(45,130)	–	–	–	(45,130)	(29,221)
Accounts payable and accrued liabilities	(82,185)	(762,699)	(7,462,905)	2,669	(8,305,120)	7,909,719
	(1,778,131)	335,710	731,333	535,603	(175,485)	36,904,728
Investing activities:						
Purchase (disposal) of investments	–	(2,598,967)	(10,801,898)	5,990,000	(7,410,865)	(30,597,138)
Increase (decrease) in cash	(1,778,131)	(2,263,257)	(10,070,565)	6,525,603	(7,586,350)	6,307,590
Cash, beginning of year	190,456	4,887,695	14,751,020	381,818	20,210,989	13,903,399
Interfund transfers	1,600,250	10,285	3,315,486	(4,926,021)	–	–
Cash, end of year	\$ 12,575	\$ 2,634,723	\$ 7,995,941	\$ 1,981,400	\$ 12,624,639	\$ 20,210,989

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

1. Incorporation and nature of the organization:

University Hospitals Kingston Foundation (the "Foundation") is a Not-for Profit corporation incorporated under the Corporations Act of Ontario without share capital. The Foundation is the fundraising arm of Kingston Health Sciences Centre (KHSC) and Providence Care Centre ("PCC"). From hospital to home to community and beyond, every donation to the Foundation helps to grow healthcare facilities, equipment, programs, research, and education for people across Southeastern Ontario.

The Foundation is registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

In June of 2022, the Foundation became its own employer. Employees of the Foundation were transferred from Kingston Health Sciences Centre to the Foundation. As a result, an additional disclosure note has been added to disclose the Foundation's obligations with respect to the Employees' Pension fund.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

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 also receives an allocation from the Restricted - Specific Designated Fund which is an allocation to the unrestricted fund 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% (2022 - 15%), and amounts allocated during the year were \$841,145 (2022 - \$3,121,396). 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 Healthcare Organization for the highest priority needs of the Kingston Healthcare Organization. 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, 2023

2. Significant accounting policies (continued):

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit. Cash and investments meeting the definition of cash and cash equivalents that are held for investing rather than operating purposes are classified as investments.

(c) 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.

(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, 2023

2. Significant accounting policies (continued):

(e) 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

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment results in a write-down of the asset and an expense in the consolidated statement of operations.

(f) 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 expenses. 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.

Lottery revenue and revenue from special events are recognized in the fiscal year in which the program is concluded. Revenue related to lotteries for which prize draws and events take place subsequent to the year-end is deferred.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

2. Significant accounting policies (continued):

(g) Grants to qualified donees:

Grants are recognized when approved for payment and the grantee has complied with all terms and conditions of the underlying grant.

(h) 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.

(i) Use of estimates:

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities, and reported amounts of revenues and expenses in preparing these financial statements in conformity with Canadian accounting standards for not-for-profit organizations. Actual results could differ from these estimates.

(j) Employee future benefit liabilities:

The employees of the Foundation are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a defined benefit multi-employer pension plan. The Foundation accounts for this Plan on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due.

The funding objective of the Plan is for the employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2022 Annual Report indicates that the plan is fully funded at 117%.

3. Pledges and bequests:

At March 31, 2023, the Foundation had pledges receivable amounting to approximately \$52.3 million (2022 - \$54.1 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, 2026.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

4. Government remittances:

Included in accounts receivable is HST recoverable of \$66,999 (2022 - \$69,698).

Included in accounts payable and accrued liabilities are government remittances payable of \$57 (2022 - \$494), which includes amounts payable for self-assessed HST.

5. Investments:

	2023	2022
Fixed income bonds (cost \$77,462,940, 2022 - \$68,845,187)	\$ 72,367,724	\$ 64,973,726
Equities (cost \$37,809,820, 2022 - \$33,278,052)	40,937,090	36,266,075
Other (cost \$Nil, 2022 - \$4,271,467)	–	3,920,554
	<u>\$ 113,304,814</u>	<u>\$ 105,160,355</u>

Investment fees in the amount of \$413,104 (2022 - \$358,683) are included in other operating expenses.

6. Capital assets:

	2023		2022	
	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	–	–
	<u>\$ 65,127</u>	<u>\$ 65,127</u>	<u>\$ –</u>	<u>\$ –</u>

Cost and accumulated amortization at March 31, 2022 amounted to \$65,127 and \$65,127, respectively.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

7. Related party transactions:

During the year, the Kingston Healthcare Organization incurred certain expenses on the Foundation's behalf, including the funding of salaries, wages and other expenses for which the Kingston Healthcare Organization was reimbursed. During the year, aggregate expenses of the Kingston Healthcare Organization for salaries, wages and benefits amounted to \$481,999 (2022 - \$2,383,985) while other expenses were \$60,072 (2022 - \$65,518). Included in accounts payable and accrued liabilities is \$14,951 (2022 - \$242,342) payable to the Kingston Healthcare Organization relating to the reimbursement of such payments.

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

	2023	2022
KHSC	\$ 191,942	\$ 8,342,950
PCC	34,888	117,251
	<u>\$ 226,830</u>	<u>\$ 8,460,201</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 Healthcare Organization as follows:

	2023	2022
KHSC	\$ 6,172,147	\$ 10,673,093
PCC	922,214	1,486,200
	<u>\$ 7,094,361</u>	<u>\$ 12,159,293</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 (2022 - \$Nil).

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

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

8. Fund balances:

	Unrestricted and operating	Restricted - General designated	Restricted - Specific designated	Endowments	2023	2022
KHSC	\$ -	\$21,191,922	\$53,709,198	\$13,960,089	\$88,861,209	\$87,059,852
PCC	-	3,560,067	27,146,299	4,441,631	35,147,997	29,169,813
UHKF	1,075	9,281	521,277	1,235,421	1,767,054	947,481
	\$ 1,075	\$24,761,270	\$81,376,774	\$19,637,141	\$125,776,260	\$117,177,146

Included in Endowments above is \$252,365 (2022 - \$749,747) 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 healthcare organizations 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.

	2023	2022
KHSC	84.31%	84.03%
PCC (formerly PCF)	15.69%	15.97%
	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.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

9. Other income:

	2023	2022
Increase in cash surrender value of life insurance policies	\$ 17,900	\$ 15,727
Donations received to offset Foundation operating expenses	2,798	9,031
	<u>\$ 20,698</u>	<u>\$ 24,758</u>

The Foundation is the beneficiary of four (2022 - six) life insurance policies that have been gifted by donors. Total death benefits amount to \$1,625,000 (2022 - \$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 (2022 - \$10,189) and are included in other operating expenses.

10. Deeds of appointment:

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. In 2023, the Foundation became trustee of the Hospice Kingston Winnifred Ross Memorial Endowment Fund in the amount of \$187,446 (2022 - \$Nil) which was transferred from the Community Foundation for Kingston and Area.

The fund was received in cash by the Foundation for no consideration and has been recognized on the Statement of Operations.

11. Pension plan:

Contributions to the Plan made during the year by the Foundation on behalf of its employees amounted to \$166,350 (2022 - \$Nil) and are included in salaries and benefits on the Statement of Operations.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

12. Commitments:

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

2024	\$	117,216
2025		19,536

Other commitments amounting to \$172,886 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 \$50,231.

The Foundation has committed \$5,372,887 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 of which \$40,000,000 will be provided at the time of substantial completion of this project.

The Foundation has committed \$15,000,000 to the Providence Care Centre for the Manor Redevelopment project.

13. 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, 2023.

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 (2022 - \$Nil).

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2023

14. 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.

(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 arising from its investments.

There have been no changes in the Foundation's risk exposures from the previous year.