

Financial Statements of

**UNIVERSITY HOSPITALS
KINGSTON FOUNDATION**

Year ended March 31, 2012

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Financial Statements

Year ended March 31, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of University Hospitals Kingston Foundation

We have audited the accompanying financial statements of University Hospitals Kingston Foundation, which comprise the statement of financial position as at March 31, 2012, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, University Hospitals Kingston 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 entity and we were not able to determine whether, as at and for the years ended March 31, 2012 and March 31, 2011, any adjustments might be necessary to donation revenue, excess of revenue over expenses, current assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of University Hospitals Kingston Foundation as at March 31, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 21, 2012

Kingston, Canada

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Financial Position

March 31, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash	\$ 1,509,349	\$ 1,075,410
Short-term investments	500,000	500,000
Accounts receivable (notes 3, 6(b) and 6(c))	175,617	117,854
Prepaid expenses	35,094	32,236
	<u>2,220,060</u>	<u>1,725,500</u>
Capital assets (note 4)	2,024	10,123
	<u>\$ 2,222,084</u>	<u>\$ 1,735,623</u>

Liabilities and Deferred Contributions

Current liabilities:		
Payable to General Members (note 6(b) and 6(c))	\$ 1,943,097	\$ 1,463,794
Other payables (note 6(d))	276,963	261,706
	<u>2,220,060</u>	<u>1,725,500</u>
Deferred contributions (note 5)	2,024	10,123
Commitments (note 7)		
Contingent liabilities (note 8)		
	<u>\$ 2,222,084</u>	<u>\$ 1,735,623</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Member

_____ Member

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Operations and Changes in Net Assets

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Donations (note 6(b))	\$ 11,800,616	\$ 9,570,889
Gifts-in-kind	177,539	227,616
Contributions from General Members (note 6(c))	2,283,659	2,049,279
Other income	65,413	46,412
Amortization of deferred contributions (note 5)	8,099	8,099
	<u>14,335,326</u>	<u>11,902,295</u>
Expenses:		
Salaries and benefits	1,578,393	1,500,703
Other supplies	770,679	594,988
Gifts-in-kind	177,539	227,616
Amortization of capital assets	8,099	8,099
	<u>2,534,710</u>	<u>2,331,406</u>
Excess of revenue over expenses before undernoted item	11,800,616	9,570,889
Transfers to General Members (note 6(b))	11,800,616	9,570,889
Excess of revenue over expenses	–	–
Net assets, beginning of year	–	–
Net assets, end of year	<u>\$ –</u>	<u>\$ –</u>

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Statement of Cash Flows

Year ended March 31, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ -	\$ -
Items not involving cash:		
Amortization of capital assets	8,099	8,099
Amortization of deferred contributions	(8,099)	(8,099)
Changes in non-cash operating working capital:		
Accounts receivable	(57,763)	37,629
Prepaid expenses	(2,858)	(5,080)
Payable to General Members	479,303	257,111
Other payables	15,257	36,640
	433,939	326,300
Investing activities:		
Purchase of short-term investments	-	(500,000)
Increase (decrease) in cash	433,939	(173,700)
Cash, beginning of year	1,075,410	1,249,110
Cash, end of year	\$ 1,509,349	\$ 1,075,410
Supplementary information:		
Interest received	\$ 24,902	\$ 19,659

See accompanying notes to financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements

Year ended March 31, 2012

The University Hospitals Kingston Foundation (the "Foundation") was incorporated on October 7, 2005 without share capital under the Ontario Corporations Act. Its principal activity is to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time to charitable organizations that are also registered charities under the *Income Tax Act*, 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 is owned by its General Members: Kingston General Hospital Foundation, the Providence Continuing Care Centre Foundation operating as Providence Care Foundation and the Jeanne Mance Foundation (Hotel Dieu Hospital) and governed by its General Members Agreement, which was signed October 17, 2005. The purpose of the Foundation is to maximize fundraising revenues and program efficiency to raise funds by way of public appeal for the benefit of all of the General Members and their related hospitals: Kingston General Hospital (KGH) and its cancer care program, Hotel Dieu Hospital (HDH) and Providence Care Centre operating as Providence Care (PC) (collectively referred to as the "Related Hospitals"). All funds raised by the Foundation will be disbursed to its General Members, and the General Members will reimburse the Foundation for all of its costs.

The Foundation is a registered charity under the *Income Tax Act* and accordingly is exempt from income taxes, provided certain requirements of the *Income Tax Act* are met.

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

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions.

Contributions from General Members are recorded as revenue in the period to which they relate. Where a portion of contributions from General Members relates to a future period, it is deferred and recognized in that subsequent period.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(a) Revenue recognition (continued):

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

(b) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Telecommunications equipment	33.3%
Furniture	15%
Leasehold improvements	15%

(d) Investments:

Investments are designated as held-for-trading and are recorded at their fair value. Realized investment income and unrealized gains or losses from the change in fair value are recorded in deferred contributions to the extent there are external restrictions on the related investments or in the statement of operations where they are unrestricted. Fair value is determined at quoted market prices. Sales and purchases of investments are recorded on the settlement date. Transaction costs related to the acquisition of investments are recorded against investment income.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenue and expenses during the period. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the reporting period they become known.

2. Pledges:

The total amount of pledges outstanding is approximately \$17.9 million at March 31, 2012 (2011 - \$22.0 million). The majority of pledges outstanding are due by March 31, 2014.

3. Accounts receivable:

	2012	2011
Contributions receivable from General Members (note 6(c))	100,641	33,205
Reimbursements receivable from General Members (note 6(e))	2,161	68
Other receivables	72,815	84,581
	<u>\$ 175,617</u>	<u>\$ 117,854</u>

4. Capital assets:

	Cost	Accumulated amortization	2012 Net book value	2011 Net book value
Telecommunications equipment	\$ 12,122	\$ 12,122	\$ -	\$ -
Furniture	24,534	23,614	920	4,600
Leasehold improvements	29,456	28,352	1,104	5,523
	<u>\$ 66,112</u>	<u>\$ 64,088</u>	<u>\$ 2,024</u>	<u>\$ 10,123</u>

Cost and accumulated amortization at March 31, 2011 amounted to \$66,112 and \$55,989 respectively.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

5. Deferred contributions:

Deferred contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortized amount of deferred contributions is recorded as revenue in the statement of operations. The change in the deferred contributions balance is as follows:

	2012	2011
Balance, beginning of the year	\$ 10,123	\$ 18,222
Less: amortization of deferred contributions	(8,099)	(8,099)
	<u>\$ 2,024</u>	<u>\$ 10,123</u>

6. Related party transactions:

(a) As stated in its General Members Agreement, the General Members will share in all costs associated with operating the Foundation based upon a cost sharing formula to be established yearly in the Business Plan. Active Campaigning for the Together We Can ("TWC") campaign ceased in June 2011. At that time, a new sharing formula was adopted. For the 2012 fiscal year, the following sharing formulas were also used for operating expenses (excluding expenses incurred for each General Member's Signature Event, which are billed directly):

	April 1, 2011 - June 30, 2011	July 1, 2011 - March 31, 2012
Kingston General Hospital Foundation (including <i>Cancer Care of Southeastern Ontario at KGH</i>)	59.10%	66.82%
Providence Continuing Care Centre Foundation operating as Providence Care Foundation	28.20%	19.94%
Jeanne Mance Foundation	12.70%	13.24%
Total	100.00%	100.0%

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

6. Related party transactions (continued):

(a) (continued):

The General Members Agreement also states that the General Members will share all revenue based on a revenue sharing formula to be established yearly in the Business Plan. Donations entirely directed to a specific General Member ("Specified") will be transferred in their entirety to the General Member. The undesignated revenue ("Shared") will be disbursed among the General Members 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, Endowments and donations designated for Research are excluded when calculating the sharing formula. Because they cannot be spent, Endowments are excluded from the sharing formula calculations; however, the estimated annual payment for Endowments is included.

(b) Donation revenue was allocated as follows:

	Specified	Shared	2012	2011
Kingston General Hospital Foundation	\$ 6,056,713	\$ 2,184,946	\$ 8,241,659	\$ 5,482,954
Providence Continuing Care Centre Foundation operating as Providence Care Foundation	1,031,117	1,215,118	2,246,235	2,881,305
Jeanne Mance Foundation	568,597	744,125	1,312,722	1,206,630
	\$ 7,656,427	\$ 4,144,189	\$ 11,800,616	\$ 9,570,889

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

6. Related party transactions (continued):

(b) (continued):

Included in the accounts receivable balance is \$29,378 (2011 - \$50,092) of such revenue.

Included in the balance payable to General Members is \$1,810,905 (2011 - \$1,226,192) of such revenue.

(c) Operating expenses were shared as follows:

	2012	2011
Kingston General Hospital Foundation	\$ 1,487,473	\$ 1,206,670
Providence Continuing Care Centre Foundation operating as Providence Care Foundation	495,001	580,453
Jeanne Mance Foundation	301,185	262,156
Total operating expenses	\$ 2,283,659	\$ 2,049,279

Included in accounts receivable is \$100,641 (2011 - \$33,205) of contributions receivable from General Members.

Included in the balance payable to General Members is \$132,192 (2011 - \$237,602) of contributions from General Members in excess of expenses.

(d) During the year, the Related Hospitals made certain expenses on the Foundation's behalf, including the funding of salaries, wages and other expenses for which the Related Hospitals were reimbursed. During the period ended March 31, 2012, aggregate expenses paid by the Related Hospitals related to salaries, wages and benefits amounted to \$1,584,224 (2011 - \$1,500,269) while other expenses were \$56,229 (2011 - \$78,097). Included in other payables is \$139,856 (2011 - \$134,359) payable to Related Hospitals relating to the reimbursement of such payments.

(e) In addition, the Foundation also paid \$10,341 (2011 - \$5,091) in other expenses on behalf of its General Members. Included in account receivables is \$2,161 (2011 - \$68) due from General Members relating to the reimbursement of such payments.

(f) Unless otherwise noted, transactions between the Foundation and its General Members are recorded at their carrying amount.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2012

7. Commitments:

- (a) At March 31, 2012, minimum annual lease payments under an operating lease expiring June 30, 2012 and a new lease expiring May 31, 2017 are \$65,702 and aggregate \$335,292 over the remaining terms of the leases.
- (b) Other commitments primarily relate to the purchase of professional services primarily from the Related Hospitals of \$94,791 (2011 - \$49,765). Total commitments amounting to approximately \$168,845 are expected to be paid over the next fiscal year.

8. Contingent liabilities:

The Foundation is a member of the Healthcare Insurance Reciprocal of Canada, which is a self-funding public liability insurer ("HIROC"). Since its inception in 1987, HIROC has accumulated an unappropriated surplus. In the event that public liability claims exceed the balance in the fund, the Foundation would be liable for its pro rata share of the deficiency. No assessments for losses have been made to March 31, 2012.

9. Fair value of financial assets and financial liabilities:

The fair value of the Foundation's cash, short-term investments, accounts receivable, payable to General Members and other payables approximate their carrying amounts due to the relatively short time period to maturity of these instruments.

10. Economic interdependence:

In accordance with the terms of the General Members Agreement in note 6(a), the Foundation is economically dependent on its General Members for funding its continued operations.