

Financial Statements of

**UNIVERSITY HOSPITALS  
KINGSTON FOUNDATION**

Year ended March 31, 2016

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Financial Statements

Year ended March 31, 2016

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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, 2016, the statements of operations and changes in fund balances 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 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.

### *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, 2016 and March 31, 2015, any adjustments that might be necessary to donations revenue, excess of revenue over expenses, current assets and fund balances.

*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, 2016, and its results of operations, changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants

June 22, 2016

Kingston, Canada

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

## Statement of Financial Position

March 31, 2016, with comparative information for 2015

	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	2016	2015
<b>Assets</b>						
<b>Current assets</b>						
Cash	\$ 281,128	\$ 9,597,703	\$ 907,965	\$ 13,671	\$ 10,800,467	\$ 7,031,394
Accrued interest and other receivable	50,233	—	72	—	50,305	126,272
Prepaid expenses	43,913	—	6,059	—	49,972	49,001
	375,274	9,597,703	914,096	13,671	10,900,744	7,206,667
Investments (note 3)	—	16,046,695	22,168,678	18,703,046	56,918,419	55,203,098
Advance receivable (note 4)	—	—	762,724	—	762,724	762,724
Capital assets (note 5)	11,886	—	—	—	11,886	2,278,085
Cash surrender value of life insurance	1,016	229,278	—	—	230,294	207,882
	\$ 388,176	\$ 25,873,676	\$ 23,845,498	\$ 18,716,717	\$ 68,824,067	\$ 65,658,456

## Liabilities and Fund Balances

### Current liabilities:

Accounts payable and accrued liabilities (notes 8(a) and 9)	\$ 375,275	\$ 853	\$ 611,857	\$ —	\$ 987,985	\$ 671,038
Loan payable (note 6)	—	—	—	—	—	662,009
Deferred capital contributions (note 7)	11,885	—	—	—	11,885	19,795
	387,160	853	611,857	—	999,870	1,352,842
Fund balances (note 11)	1,016	25,872,823	23,233,641	18,716,717	67,824,197	64,305,614
Commitments (note 10)						
Contingent liabilities (note 13)						
	\$ 388,176	\$ 25,873,676	\$ 23,845,498	\$ 18,716,717	\$ 68,824,067	\$ 65,658,456

See accompanying notes to financial statements.

On behalf of the Board:

\_\_\_\_\_ Member

\_\_\_\_\_ Member

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

## Statement of Operations and Changes in Fund Balances

Year ended March 31, 2016, with comparative information for 2015

	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	2016	2015
<b>Revenue:</b>						
Donations	\$ 754,500	\$ 451,847	\$ 14,158,364	\$ 195,427	\$ 15,560,138	\$ 10,218,305
Investment income	88,505	1,638,674	554,962	10,785	2,292,926	2,128,352
Other revenue (note 12)	33,241	52,862	—	—	86,103	235,503
Gain (loss) on investments:						
Realized	—	(2,948,129)	—	—	(2,948,129)	546,003
Unrealized	—	40,073	—	—	40,073	2,156,958
	876,246	(764,673)	14,713,326	206,212	15,031,111	15,285,121
<b>Expenses:</b>						
Salaries and benefits	2,091,685	—	—	—	2,091,685	2,238,841
Other operating expenses	769,911	217,780	143,800	—	1,131,491	1,466,425
Grants to qualified donees (hospitals) (note 8(b))	—	1,083,390	7,154,529	—	8,237,919	5,539,192
	2,861,596	1,301,170	7,298,329	—	11,461,095	9,244,458
Excess (deficiency) of revenue over expenses before undernoted items	(1,985,350)	(2,065,843)	7,414,997	206,212	3,570,016	6,040,663
Gain (loss) on donation of property to qualified donee (note 8(b))	—	(191,233)	—	—	(191,233)	758,899
Gain on disposal of capital assets	—	139,800	—	—	139,800	—
Excess (deficiency) of revenue over expenses	(1,985,350)	(2,117,276)	7,414,997	206,212	3,518,583	6,799,562
Fund balances, beginning of year	1,009	16,927,763	28,366,337	19,010,505	64,305,614	57,506,052
Transfers between funds	1,985,357	11,062,336	(12,547,693)	(500,000)	—	—
Fund balances, end of year	\$ 1,016	\$ 25,872,823	\$ 23,233,641	\$ 18,716,717	\$ 67,824,197	\$ 64,305,614

See accompanying notes to financial statements.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

## Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	2016	2015
Cash provided by (used in)						
Operating activities:						
Excess of revenue over expenses	\$ (1,985,350)	\$ (2,117,276)	\$ 7,414,997	\$ 206,212	\$ 3,518,583	\$ 6,799,562
Items not affecting cash flow:						
Amortization of capital assets	7,910	—	—	—	7,910	32,207
Amortization of deferred capital contributions	(7,910)	—	—	—	(7,910)	(7,910)
Donation of property to qualified donee	—	1,274,623	—	—	1,274,623	41,101
Gain on disposal of capital assets	—	(139,800)	—	—	(139,800)	—
Unrealized gains on investments	—	(40,073)	—	—	(40,073)	(2,156,958)
Changes in non-cash working capital:						
Accrued interest and other receivables	36,269	39,698	—	—	75,967	13,619
Prepaid expenses	(9,920)	9,949	(1,000)	—	(971)	57,037
Accounts payable and accrued liabilities	10,882	(95,929)	401,994	—	316,947	(20,246)
	(1,948,119)	(1,068,808)	7,815,991	206,212	5,005,276	4,758,412
Investing activities:						
Decrease (increase) in investments	—	(1,536,698)	(446,009)	307,459	(1,675,248)	(2,342,223)
Increase in cash surrender value of life insurance	(7)	(22,405)	—	—	(22,412)	(17,341)
Proceeds on disposal of capital assets	—	1,123,466	—	—	1,123,466	—
	(7)	(435,637)	(446,009)	307,459	(574,194)	(2,359,564)
Financing activities:						
Repayment of loan payable	—	(662,009)	—	—	(662,009)	(176,478)
Other:						
Interfund transfers	1,985,357	11,062,336	(12,547,693)	(500,000)	—	—
Increase (decrease) in cash	37,321	8,895,882	(5,177,711)	13,671	3,769,073	2,222,370
Cash, beginning of year	243,897	701,821	6,085,676	—	7,031,394	4,809,024
Cash, end of year	\$ 281,218	\$ 9,597,703	\$ 907,965	\$ 13,671	\$ 10,800,467	\$ 7,031,394

See accompanying notes to financial statements.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements

Year ended March 31, 2016

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The University Hospitals Kingston Foundation (the “Foundation”) was incorporated on October 7, 2005 without share capital under the Ontario Corporations Act. Its principal activity is to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time to charitable organizations that are also registered charities under the Income Tax Act (Canada), and in particular, to support the hospitals in the Kingston region, including Frontenac County, and their respective satellite programs and clinics located in South Eastern Ontario and Northern Ontario.

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

On May 22, 2014, an application for Letters Patent of Amalgamation was filed with the office of the Public Guardian and Trustee on behalf of the Kingston General Hospital Foundation, Providence Care Foundation, Jeanne Mance Foundation and University Hospitals Kingston Foundation. The application was accepted with an effective date of July 1, 2014, whereby the parties have continued as one corporation under the corporate name of University Hospitals Kingston Foundation.

The Foundation is incorporated without share capital under the Ontario Corporations Act and is a registered charity under the Income Tax Act (Canada) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met. The primary purpose of the Foundation is to act as a single fundraiser for Kingston General Hospital, Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston and Providence Care Centre (together, the “Kingston Hospitals”) in order to maximize fundraising revenues and program efficiency to raise funds by way of public appeal for the benefit of the Kingston Hospitals.

As outlined in the Operating Agreement between the Kingston Hospitals and the Foundation, dated July 1st, 2014, the board of directors of the Foundation, will determine the amount of unrestricted funds that are available for distribution to the Kingston Hospitals, and will determine in collaboration with the Chief Executive Officers of the Kingston Hospitals or their designates, how these funds will be distributed among the Kingston Hospitals.

## 1. Significant accounting policies:

### (a) Basis of presentation:

The financial statements of the Foundation have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.



# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (b) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided. The financial statements separately disclose the activities of the following funds maintained by the Foundation:

- Unrestricted and Operating Fund reflects the general fundraising and administrative activities and represents unrestricted resources available for immediate use. The Unrestricted and Operating Fund also receives a transfer from the Restricted - General Designated Fund to recover the Foundation's operating expenses according to the Operating Agreement. Any remaining funds are transferred back to the Restricted - General Designated Fund. The Unrestricted and Operating Fund receives a transfer from the Restricted - Specific Designated Fund which is an administration fee intended to recover operating costs from restricted purpose gifts made on or after April 1, 2005, in accordance with the prescribed rates of the Foundation's Board of Directors' policy. The fee for the 2015/16 year was set at 10% (2015 - 10%). The cost recovery administrative fee structure ensures that donors of both Unrestricted and Restricted Funds contribute to the operations of the Foundation.
- 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.
- Restricted - Specific Designated Fund reflects those resources arising from fundraising and granting, the purpose for which has been restricted to a specific program at any of the Kingston Hospitals. The externally restricted resources include the undistributed balance of the expendable portion of Endowment Fund balances.
- Endowment Funds are internally and externally restricted resources that may include an internal or external requirement that the principal be maintained. Once determined, the annual distributable amount of the Endowment Fund is transferred to the Restricted Fund, where it remains until actual distribution is made.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to subsequently carry all of its investments at fair value.

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 are assessed for impairment on an annual basis at the end of the fiscal period if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

### (d) Capital assets:

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

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

Asset	Rate
Furniture	20.0%
Leasehold improvements	20.0%
Telecommunications equipment	20.0%
Property	2.5%
Property held for resale	2.5%

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 1. Significant accounting policies (continued):

### (e) Revenue recognition:

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

Donor-restricted contributions for specific purposes are recognized as revenue in the Restricted - General or Specific Designated Fund unless the principal is to be maintained permanently, in which case the contributions are recognized as revenue in the Endowment Fund.

Investment income (loss), 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 and changes in fund balances. Investment income on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Restricted - General Designated Fund. Investment income (loss) subject to donor restrictions stipulating that it be added to (deducted from) the principle amount of the endowment is recognized in the Endowment Fund. Unrestricted investment income (loss) is recognized in the Restricted General Designated Fund.

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

### (f) Grant recognition:

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

### (g) 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.

### (h) Use of estimates:

The preparation of the financial statements 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 year. Actual results could differ from those estimates.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## 2. Pledges:

The total amount of pledges outstanding is approximately \$4.9 million at March 31, 2016 (2015 - \$10.0 million). The majority of pledges outstanding are due by March 31, 2017.

## 3. Investments:

Investments consist of the following:

	2016	2015
Money market	\$ 18,467,829	\$ 3,466,947
Fixed income bonds	12,480,097	23,149,855
Equities	25,970,493	28,586,296
	<hr/>	<hr/>
	\$ 56,918,419	\$ 55,203,098

Investment fees of \$192,596 (2015 - \$214,651) are included in other operating expenses.

## 4. Advance receivable:

An amount of \$762,724 (2014 - \$762,724) will be repaid to the Foundation from Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston upon receipt of the final Ministry of Health redevelopment project holdback funds. The receivable dates back to the Jeanne Mance Foundation of Kingston's March 31, 2014 audited financial statements. As part of the amalgamation of the Kingston hospital foundations in 2014 the receivable was transferred to the Foundation. The repayment terms of the receivable were originally negotiated between the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston and the Jeanne Mance Foundation of Kingston.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 5. Capital assets:

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Furniture	\$ 32,571	\$ 30,694	\$ 1,877	\$ 3,484
Leasehold improvements	22,055	16,891	5,164	9,590
Telecommunications equipment	9,378	4,533	4,845	6,721
	64,004	52,118	11,886	19,795
Property	–	–	–	1,274,623
Property held for sale	–	–	–	983,667
	–	–	–	2,258,290
	\$ 64,004	\$ 52,118	\$ 11,886	\$ 2,278,085

Cost and accumulated amortization of capital assets at March 31, 2015 amounted to \$2,631,389 and \$353,304, respectively.

## 6. Loans payable:

In 2015, the Foundation had two unsecured non-revolving demand loans at the bank's prime rate. During the year, the loans were repaid.

	2016	2015
Loan # 1, monthly blended payments of \$9,657	\$ –	\$ 106,195
Loan # 2, monthly blended payments of \$6,611	–	555,814
	\$ –	\$ 662,009

## 7. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations and changes in fund balances.

	2016	2015
Balance, beginning of the year	\$ 19,795	\$ 27,705
Less amortization of deferred capital contributions	(7,910)	(7,910)
	\$ 11,885	\$ 19,795

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 8. Related party transactions:

- (a) During the year, the related parties (the "Kingston Hospitals") incurred certain expenses on the Foundation's behalf, including the funding of salaries, wages and other expenses for which the Kingston Hospitals were reimbursed. During the year, aggregate expenses of the Kingston Hospitals related to salaries, wages and benefits amounted to \$2,044,731 (2015 - \$2,173,956) while other expenses were \$130,946 (2015 - \$226,372). Included in accounts payable and accrued liabilities is \$257,313 (2015 - \$191,394) 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:

	2016	2015
Kingston General Hospital	\$ 301,478	\$ 11,873
Providence Care Centre	10,227	14,100
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	254,725	139,085
	<u>\$ 566,430</u>	<u>\$ 165,058</u>

- (b) The Foundation made grants to the Kingston Hospitals as follows:

	2016	2015
Kingston General Hospital	\$ 5,250,969	\$ 2,940,092
Providence Care Centre	679,947	1,015,421
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	2,307,003	1,583,679
	<u>\$ 8,237,919</u>	<u>\$ 5,539,192</u>

Included in the grants to Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston is the transfer of property located at 10 Montreal Street. On June 16, 2015, the University Hospitals Kingston Foundation Board of Directors authorized the transfer of ownership of this property to the Religious Hospitallers of St. Joseph of the Hotel Dieu Hospital of Kingston. The property was transferred at \$1,083,390 which resulted in a loss on donation of property to qualified donee of \$191,233.

- (c) The Foundation incurs 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 (2015 - \$Nil).
- (d) Unless otherwise noted, transactions between the Foundation and the Kingston Hospitals are recorded at their carrying amount.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

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## **9. Accounts payable and accrued liabilities:**

Included in accounts payable and accrued liabilities are government remittances payable of \$1,103 (2015 - \$1,739), which includes amounts payable for self-assessed harmonized sales tax.

## **10. Commitments:**

- (a) At March 31, 2016, minimum annual lease payments under an operating lease expiring May 31, 2017 are \$121,372 and aggregate \$121,372 over the remaining term of the lease.
- (b) Other commitments primarily relate to the purchase of professional services primarily from the Kingston Hospitals of \$97,770. Total commitments amounting to approximately \$154,254 are expected to be paid over the next fiscal year.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 11. Fund balances:

(a) Major categories of fund balances are as follows:

	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	2016	2015
Kingston General Hospital	\$ -	\$ 7,315,051	\$ 13,052,514	\$ 11,195,901	\$ 31,563,466	\$ 28,933,043
Providence Care Centre	-	15,415,758	4,872,015	6,731,342	27,019,115	25,801,806
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	-	3,101,940	5,032,837	486,468	8,621,245	9,333,607
University Hospitals Kingston Foundation	1,016	40,074	276,275	303,006	620,371	237,158
	\$ 1,016	\$ 25,872,823	\$ 23,233,641	\$ 18,716,717	\$ 67,824,197	\$ 64,305,614

The University Hospitals Kingston Foundation is the legal single entity. The individual site identities: Kingston General Hospital; Providence Care; and Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston, are for financial and communication purposes only, as ownership of these funds rests solely with the Foundation.



# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 11. Fund balances (continued):

- (b) As stated in its Class B Members Operating Agreement, all costs associated with operating the Foundation are shared based upon a cost sharing formula to be established yearly 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:

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Kingston General Hospital (formerly Kingston General Hospital Foundation)	59.10%
Providence Care (formerly Providence Care Foundation)	28.20%
Hotel Dieu Hospital (formerly Jeanne Mance Foundation)	12.70%
<b>Total</b>	<b>100.0%</b>

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In July 2011, a new sharing formula was adopted. 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):

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	2016	2015
Kingston General Hospital (formerly Kingston General Hospital Foundation)	71.54%	69.4%
Providence Care (formerly Providence Care Foundation)	14.55%	16.6%
Hotel Dieu Hospital (formerly Jeanne Mance Foundation)	13.91%	14.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

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Donations entirely directed to a specific Class B Member (“Specified”) will be allocated in their entirety to the Class B Member’s Fund balance. The undesignated revenue (“Shared”) will be allocated among the Class B Member’s Fund Balance in such a way as to achieve the overall distribution of revenue according to the specified ratios above. Payments on pledges received and payments of new cash received before June 30, 2011 were shared using the TWC sharing formula. Payments on new pledges and payments of new cash received after June 30, 2011 were shared using the new sharing formula.

# UNIVERSITY HOSPITALS KINGSTON FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2016

## 11. Fund balances (continued):

(b) (continued):

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.

## 12. Other revenue:

Other revenue consists of:

	2016	2015
Rental properties (formerly owned by Jeanne Mance Foundation)	\$ 30,457	\$ 165,948
ATM income from Kingston General Hospital	–	31,634
Cash surrender value of life insurance policies held	22,405	16,333
Donations to offset foundation operating costs	33,241	21,588
	\$ 86,103	\$ 235,503

## 13. Contingent liabilities:

The Foundation is a member of the Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. Subscribers pay annual premiums that are actuarially determined. Subscribers are subject to assessment for losses, if any, experienced by the pool for the years in which they were a subscriber. No assessments have been made to March 31, 2016.

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 \$1,052 (2015 - \$588).