

**UNIVERSITY HOSPITALS KINGSTON
FOUNDATION**

**FINANCIAL STATEMENTS
WITH AUDITOR'S REPORT**

MARCH 31, 2017





INDEPENDENT AUDITOR'S REPORT

To: The Executive Committee and the Board of Directors
University Hospitals Kingston Foundation

We have audited the accompanying financial statements of the University Hospitals Kingston Foundation, which comprise the statement of financial position as at March 31, 2017 and the statements of revenue and expenditures, changes in fund balances and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the Foundation'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 Foundation'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 not-for-profit organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to these revenues, the excess of (expenditures) revenue and cash flows for the years ended March 31, 2017 and March 31, 2016 and net assets as at March 31, 2017 and March 31, 2016. The audit opinion on the financial statements for the year ended March 31, 2016 was modified accordingly because of these possible effects of this limitation in scope.

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 the University Hospitals Kingston Foundation as at March 31, 2017 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The prior year's financial statements were audited by other accountants.

Kingston, Ontario
June 21, 2017

Collins Blay LLP

**Chartered Professional Accountants
Licensed Public Accountants**



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

	2017					
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	2017 Total	2016 Total
ASSETS						
Current						
Cash	\$ 211,178	\$ 1,559,733	\$ 2,265,918	\$ 104,624	\$ 4,141,453	\$ 10,800,467
Accounts receivable - Note 3	132,673	-	72	-	132,745	50,305
Prepaid expenses	<u>43,186</u>	<u>-</u>	<u>1,957</u>	<u>-</u>	<u>45,143</u>	<u>49,972</u>
	<u>387,037</u>	<u>1,559,733</u>	<u>2,267,947</u>	<u>104,624</u>	<u>4,319,341</u>	<u>10,900,744</u>
Investments - Note 4	<u>-</u>	<u>9,903,513</u>	<u>22,168,678</u>	<u>19,203,046</u>	<u>51,275,237</u>	<u>56,918,419</u>
Capital assets - Note 5	<u>4,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,559</u>	<u>11,886</u>
Cash surrender value of life insurance	<u>1,024</u>	<u>211,907</u>	<u>-</u>	<u>-</u>	<u>212,931</u>	<u>230,294</u>
Advance receivable - Note 6	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>762,724</u>
	<u>\$ 392,620</u>	<u>\$ 11,675,153</u>	<u>\$ 24,436,625</u>	<u>\$ 19,307,670</u>	<u>\$ 55,812,068</u>	<u>\$ 68,824,067</u>
LIABILITIES						
Current						
Accounts payable and accrued liabilities - Note 3	<u>\$ 387,621</u>	<u>\$ 116,666</u>	<u>\$ 503,627</u>	<u>\$ -</u>	<u>\$ 1,007,914</u>	<u>\$ 987,985</u>
Deferred contributions related to capital assets - Note 7	<u>3,975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,975</u>	<u>11,885</u>
	<u>391,596</u>	<u>116,666</u>	<u>503,627</u>	<u>-</u>	<u>1,011,889</u>	<u>999,870</u>
FUND BALANCES						
Fund balances - Note 9	<u>1,024</u>	<u>11,558,487</u>	<u>23,932,998</u>	<u>19,307,670</u>	<u>54,800,179</u>	<u>67,824,197</u>
	<u>\$ 392,620</u>	<u>\$ 11,675,153</u>	<u>\$ 24,436,625</u>	<u>\$ 19,307,670</u>	<u>\$ 55,812,068</u>	<u>\$ 68,824,067</u>

Approved on behalf of the Board

_____ Member

_____ Member



The accompanying notes are an integral part of these financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED MARCH 31, 2017

	2017				
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total
Balance - beginning of the year	\$ 1,016	\$ 25,872,823	\$ 23,233,641	\$ 18,716,717	\$ 67,824,197
Excess (expenditures) revenue for the year	(1,547,581)	(12,749,921)	1,188,013	85,471	(13,024,018)
Interfund transfers - Note 10	<u>1,547,589</u>	<u>(1,564,415)</u>	<u>(488,656)</u>	<u>505,482</u>	<u>-</u>
Balance - end of the year	<u>\$ 1,024</u>	<u>\$ 11,558,487</u>	<u>\$ 23,932,998</u>	<u>\$ 19,307,670</u>	<u>\$ 54,800,179</u>

	2016				
	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	Total
Balance - beginning of the year	\$ 1,009	\$ 16,927,763	\$ 28,366,337	\$ 19,010,505	\$ 64,305,614
Excess (expenditures) revenue for the year	(1,985,350)	(2,117,276)	7,414,997	206,212	3,518,583
Interfund transfers - Note 10	<u>1,985,357</u>	<u>11,062,336</u>	<u>(12,547,693)</u>	<u>(500,000)</u>	<u>-</u>
Balance - end of the year	<u>\$ 1,016</u>	<u>\$ 25,872,823</u>	<u>\$ 23,233,641</u>	<u>\$ 18,716,717</u>	<u>\$ 67,824,197</u>



The accompanying notes are an integral part of these financial statements.

UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF REVENUE AND EXPENDITURES FOR THE YEAR ENDED MARCH 31, 2017

	<u>Unrestricted and Operating</u>	<u>Restricted - General Designated</u>	<u>Restricted - Specific Designated</u>	<u>Endowments</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue						
Donations	\$ 1,146,167	\$ 477,947	\$ 8,052,696	\$ 73,760	\$ 9,750,570	\$ 15,560,138
Investment income	114,163	1,700,102	565,979	11,711	2,391,955	2,292,925
Other income - Note 11	27,448	14,830	-	-	42,278	78,194
Realized gain (loss) on investments	-	6,785	-	-	6,785	(2,948,129)
Unrealized gain on investments	-	2,572,875	-	-	2,572,875	40,073
Amortization of deferred capital contributions - Note 7	7,910	-	-	-	7,910	7,910
	<u>1,295,688</u>	<u>4,772,539</u>	<u>8,618,675</u>	<u>85,471</u>	<u>14,772,373</u>	<u>15,031,111</u>
Expenditures						
Grants to qualified donees	-	17,314,440	7,363,819	-	24,678,259	8,237,919
Other operating expenses - Note 4	784,604	208,020	66,843	-	1,059,467	1,131,491
Salaries and benefits	2,058,665	-	-	-	2,058,665	2,091,685
	<u>2,843,269</u>	<u>17,522,460</u>	<u>7,430,662</u>	<u>-</u>	<u>27,796,391</u>	<u>11,461,095</u>
Excess (expenditures) revenue for the year before other items	(1,547,581)	(12,749,921)	1,188,013	85,471	(13,024,018)	3,570,016
Loss on donation of property to qualified donee	-	-	-	-	-	(191,233)
Gain on disposal of capital assets	-	-	-	-	-	139,800
Excess (expenditures) revenue for the year	<u>\$ (1,547,581)</u>	<u>\$ (12,749,921)</u>	<u>\$ 1,188,013</u>	<u>\$ 85,471</u>	<u>\$ (13,024,018)</u>	<u>\$ 3,518,583</u>

The accompanying notes are an integral part of these financial statements.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2017

	Unrestricted and Operating	Restricted - General Designated	Restricted - Specific Designated	Endowments	2017 Total	2016 Total
Cash flows from operating activities						
Excess (expenditures) revenue for the year	\$ (1,547,581)	\$ (12,749,921)	\$ 1,188,013	\$ 85,471	\$ (13,024,018)	\$ 3,518,583
Items not requiring cash						
Amortization of capital assets	7,910	-	-	-	7,910	7,910
Amortization of deferred capital contributions	(7,910)	-	-	-	(7,910)	(7,910)
Gain on disposal of capital assets	-	-	-	-	-	(139,800)
Donation of property to qualified donee	-	-	-	-	-	1,274,623
Unrealized gain on investments	-	(2,572,875)	-	-	(2,572,875)	(40,073)
Net changes in non-cash working capital						
Accounts receivable	(82,440)	-	-	-	(82,440)	75,967
Prepaid expenses	727	-	4,102	-	4,829	(971)
Accounts payable and accrued liabilities	12,345	115,813	(108,230)	-	19,928	316,947
Cash flows from operating activities	<u>(1,616,949)</u>	<u>(15,206,983)</u>	<u>1,083,885</u>	<u>85,471</u>	<u>(15,654,576)</u>	<u>5,005,276</u>
Cash flows from investing activities						
Change in investment value	-	8,716,057	-	(500,000)	8,216,057	(1,675,248)
Decrease in advance receivable	-	-	762,724	-	762,724	-
Change in cash surrender value of life insurance	(8)	17,371	-	-	17,363	(22,412)
Purchase of capital assets	(582)	-	-	-	(582)	-
Proceeds on disposal of capital assets	-	-	-	-	-	1,123,466
Cash flows from investing activities	<u>(590)</u>	<u>8,733,428</u>	<u>762,724</u>	<u>(500,000)</u>	<u>8,995,562</u>	<u>(574,194)</u>
Cash flows from financing activities						
Repayment of loan payable	-	-	-	-	-	(662,009)
Interfund transfers	1,547,589	(1,564,415)	(488,656)	505,482	-	-
Net (decrease) increase in cash for the year	(69,950)	(8,037,970)	1,357,953	90,953	(6,659,014)	3,769,073
Cash at the beginning of the year	281,128	9,597,703	907,965	13,671	10,800,467	7,031,394
Cash at the end of the year	<u>\$ 211,178</u>	<u>\$ 1,559,733</u>	<u>\$ 2,265,918</u>	<u>\$ 104,624</u>	<u>\$ 4,141,453</u>	<u>\$ 10,800,467</u>

The accompanying notes are an integral part of these financial statements.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

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, 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 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.

1. Significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Fund accounting

The Foundation follows the restricted fund method for 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:



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

1. Significant accounting policies (continued)

a) Fund accounting (continued)

The 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 current year was set at 10% (2016 - 10%), and fees charged during the year were \$658,598 (2016 - \$1,118,148). The cost recovery administrative fee structure 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.

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.

b) Financial instruments

Measurement of financial instruments

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, with the exception of investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recorded in the statement of revenue and expenditures in the period incurred.

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



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

1. Significant accounting policies (continued)

c) 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:

Furniture	5 years
Leasehold improvements	5 years
Telecommunications equipment	5 years

d) 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 revenue and expenditures. Investment income on Endowment Fund resources that must be spent on donor restricted activities is recognized in the Restricted - General Designated Fund. Investment income (loss) subject to donor restrictions stipulating that it be added to (deducted from) the principal 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.

Grant revenue is recognized when approval for payment is received and the grantee has complied with all the terms and conditions.

e) 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.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

1. Significant accounting policies (continued)

f) Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Significant estimates include the useful life of capital assets, the amortized cost of investments and accrued liabilities.

2. Pledges

The total amount of pledges outstanding is approximately \$10.7 million at March 31, 2017 (2016 - \$4.9 million). The majority of pledges outstanding are due by March 31, 2022.

3. Government remittances

Included in accounts receivable is HST recoverable of \$115,289 (2016 - \$39,459).

Included in accounts payable and accrued liabilities are government remittances payable of \$868 (2016 - \$1,103), which includes amounts payable for self-assessed harmonized sales tax.

4. Investments

Investments are comprised of:

	<u>2017</u>	<u>2016</u>
Money market	\$ -	\$ 18,467,829
Fixed income bonds (cost \$17,933,051)	17,717,199	12,480,097
Equities (cost \$30,729,239)	<u>33,558,038</u>	<u>25,970,493</u>
	<u>\$ 51,275,237</u>	<u>\$ 56,918,419</u>

Investment fees in the amount of \$164,752 (2016 - \$192,596) are included in other operating expenses.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

5. Property and equipment

	2017			2016
	Cost	Accumulated Amortization	Net	
Furniture	\$ 33,163	\$ 32,311	\$ 852	\$ 1,877
Leasehold improvements	22,055	21,317	738	5,164
Telecommunications equipment	9,378	6,409	2,969	4,845
	\$ 64,596	\$ 60,037	\$ 4,559	\$ 11,886

6. Advance receivable

During the fiscal year, the Foundation received a payment in the amount of \$762,724 from the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston. The receivable originated with the Jeanne Mance Foundation in 2014. 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.

7. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of restricted contributions with which the Foundation has purchased capital assets. The changes in the deferred contribution balance for the year are as follows:

	2017	2016
Balance - beginning of the year	\$ 11,885	\$ 19,795
Less: Amounts amortized to revenue	(7,910)	(7,910)
Balance - end of the year	\$ 3,975	\$ 11,885

8. Related party transactions

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 \$1,993,202 (2016 - \$2,044,731) while other expenses were \$130,067 (2016 - \$130,946). Included in accounts payable and accrued liabilities is \$236,256 (2016 - \$257,313) payable to Kingston Hospitals relating to the reimbursement of such payments.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

8. Related party transactions (continued)

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

	<u>2017</u>	<u>2016</u>
Kingston General Hospital	\$ 104,329	\$ 301,478
Providence Care Centre	3,092	10,227
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	<u>498,086</u>	<u>254,725</u>
	<u>\$ 605,507</u>	<u>\$ 566,430</u>

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

On April 1, 2017, Kingston General Hospital and the Religious Hospitallers of Saint Joseph of the Hotel Dieu Hospital of Kingston 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 are being amended to reflect the integration.

The Foundation made grants to the Kingston Hospitals as follows:

	<u>2017</u>	<u>2016</u>
Kingston General Hospital	\$ 5,709,616	\$ 5,250,969
Providence Care Centre	17,492,433	679,947
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	<u>1,476,210</u>	<u>2,307,003</u>
	<u>\$ 24,678,259</u>	<u>\$ 8,237,919</u>

Periodically, the Foundation may incur expense 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 (2016 - nil).

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



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

9. Fund balances

Major categories of fund balances are as follows:

	Unrestricted and <u>Operating</u>	Restricted - General <u>Designated</u>	Restricted - Specific <u>Designated</u>	<u>Endowments</u>	<u>2017 Total</u>	<u>2016 Total</u>
Kingston General Hospital	\$ -	\$ 10,090,272	\$ 11,976,877	\$ 11,246,054	\$ 33,313,203	\$ 31,563,466
Providence Care Centre	-	63,670	4,517,974	7,231,342	11,812,986	27,019,115
Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston	-	1,340,751	7,023,626	486,468	8,850,845	8,621,245
University Hospitals Kingston Foundation	<u>1,024</u>	<u>63,794</u>	<u>414,521</u>	<u>343,806</u>	<u>823,145</u>	<u>620,371</u>
	<u>\$ 1,024</u>	<u>\$ 11,558,487</u>	<u>\$ 23,932,998</u>	<u>\$ 19,307,670</u>	<u>\$ 54,800,179</u>	<u>\$ 67,824,197</u>

The University Hospitals Kingston Foundation is an independent legal entity. 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 THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

9. Fund balances (continued)

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 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:

Kingston General Hospital (formerly Kingston General Hospital Foundation)	59.10%
Providence Care Centre (formerly Providence Care Foundation)	28.20%
Hotel Dieu Hospital (formerly Jeanne Mance Foundation)	<u>12.70%</u>
	<u>100.00%</u>

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):

	<u>2017</u>	<u>2016</u>
Kingston General Hospital (formerly Kingston General Hospital Foundation)	71.63%	71.54%
Providence Care Centre (formerly Providence Care Foundation)	16.22%	14.55%
Hotel Dieu Hospital (formerly Jeanne Mance Foundation)	<u>12.15%</u>	<u>13.91%</u>
	<u>100.00%</u>	<u>100.00%</u>

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.

Subsequent to year end, the sharing formula will combine the percentages allocated to the Kingston General Hospital and the Hotel Dieu Hospital and will apply this allocation to the new Kingston Health Sciences Centre.

The ratio of the final distribution may not equal the above ratio because Signature Events Revenue and Endowments are excluded when calculating the sharing formula. Endowments are excluded from the sharing formula calculations, because they cannot be spent; however, the estimated annual payment for Endowments is included in the sharing formula calculation.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

10. Interfund transfers - endowments

In the prior year, the Foundation Board of Directors authorized a \$500,000 grant from an endowment that met the terms and conditions of the fund. During the year, new information became available and the grant was no longer required and was returned plus interest to the endowment in the current year.

11. Other income

	<u>2017</u>	<u>2016</u>
Rental properties (formerly owned by the Jeanne Mance Foundation)	\$ -	\$ 30,457
Increase in cash surrender value of life insurance policies	14,830	22,405
Donations received to offset Foundation operating expenses	<u>27,448</u>	<u>25,332</u>
	<u>\$ 42,278</u>	<u>\$ 78,194</u>

12. Commitments

The Foundation is committed to a lease for office space expiring May 31, 2020. Annual lease and additional operating costs payments due in the next three years are as follows:

2018	\$ 105,014
2019	115,686
2020	115,686
2021	<u>19,281</u>
	<u>\$ 355,667</u>

Other commitments primarily relate to the purchase of professional services primarily from the Kingston Hospitals of \$94,250. Total commitments amounting to approximately \$165,960 are expected to be paid over the next fiscal year.

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, 2017.



UNIVERSITY HOSPITALS KINGSTON FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

13. Contingent liabilities (continued)

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 \$1,466 (2016 - \$1,052).

14. Financial risks

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations as at March 31, 2017.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arises as a result of the Foundation's investments. Fluctuations in the market 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.

Changes in risk

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

15. Comparative amounts

Certain comparative amounts have been reclassified in order to conform with the financial statement presentation adopted in the current year.

