

Financial Statements of

**RELIGIOUS HOSPITALLERS  
OF SAINT JOSEPH OF THE  
HOTEL DIEU OF KINGSTON**

Year ended March 31, 2017

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Financial Statements

Year ended March 31, 2017

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## MANAGEMENT REPORT

The accompanying financial statements for the year ended March 31, 2017 of the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston ("the Hospital") have been prepared by management and approved by the Board of Directors and Members of the Corporation.

The Board of Directors carries out its responsibility for the Hospital's financial statements principally through its Resource Planning Committee. The Resource Planning Committee meets with management and the independent auditor to review any significant accounting and auditing matters and to discuss the results of audit examinations. This committee also reviews the financial statements and the independent auditors' report and submits their findings to the Board of Directors and Members of the Corporation for their consideration in approving the audited financial statements.

The Hospital maintains a system of internal control which is continually reviewed and improved to provide assurance that financial information is relevant and reliable, and that assets are properly accounted for and safeguarded.

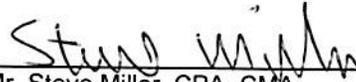
The financial statements have been prepared in accordance with Public Sector Accounting Standards for Not-for-Profit Organizations.

As a result of the Hotel Dieu Hospital and Kingston General Hospital operations integrating into the Kingston Health Sciences Centre as described in note 13, this will be the final year that the Hospital will be funded as a public hospital.



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Dr. David Pichora  
Chief Executive Officer



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Mr. Steve Miller, CPA, CMA  
Chief Operating and Financial Officer



KPMG LLP  
863 Princess Street, Suite 400  
Kingston ON K7L 5N4  
Canada  
Telephone 613-549-1550  
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## INDEPENDENT AUDITORS' REPORT

To the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston

We have audited the accompanying financial statements of the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston, which comprise the statement of financial position as at March 31, 2017, the statements of operations, 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 public sector accounting standards, 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 audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston as at March 31, 2017, its results of operations, changes in net assets, its cash flows and the remeasurement gains and losses for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

June 7, 2017

Kingston, Canada

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (note 2)	\$ 8,469,473	\$ 7,714,659
Accounts receivable (note 3)	5,889,520	5,292,301
Inventory of supplies	455,582	475,685
Prepaid expenses	759,621	774,960
	<u>15,574,196</u>	<u>14,257,605</u>
Capital assets (note 4)	66,281,457	64,795,054
Long-term investments (notes 2 and 5)	1,622,942	1,478,842
	<u>\$ 83,478,595</u>	<u>\$ 80,531,501</u>
<b>Liabilities, Deferred Capital Contributions and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 15,056,605	\$ 14,184,676
Current portion of long-term debt (note 6(a))	633,277	230,110
Agency obligations (note 2)	2,996,151	3,071,713
	<u>18,686,033</u>	<u>17,486,499</u>
Employee future benefits (note 7(b))	3,590,200	3,414,900
Long-term debt (note 6(a))	1,927,033	2,560,441
Deferred capital contributions relating to capital assets (note 8)	49,684,190	46,913,465
Net assets:		
Unrestricted deficiency	(5,427,598)	(5,534,730)
Investment in capital assets (note 9(a))	15,018,737	15,690,926
	<u>9,591,139</u>	<u>10,156,196</u>
Commitments (note 4)		
Contingent liabilities (note 11)		
Subsequent event (note 13)		
	<u>\$ 83,478,595</u>	<u>\$ 80,531,501</u>

See accompanying notes to financial statements.

On behalf of the Board and the Members:

 Chair of the Board

 President of the Members

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

## Statement of Operations

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
<b>Revenue:</b>		
Ministry of Health and Long-Term Care	\$ 56,588,365	\$ 54,172,214
Patient revenue	9,544,393	9,415,970
Other votes	11,713,754	11,328,630
Other programs	4,639,582	3,975,872
Other income	6,762,846	6,530,933
Amortization of deferred capital contributions - equipment	1,113,774	793,106
	<u>90,362,714</u>	<u>86,216,725</u>
<b>Expenses:</b>		
Salaries and wages	34,385,509	33,664,811
Employee benefits	9,378,943	8,911,383
Post-employee benefits (note 7(b))	175,300	232,400
Medical staff remuneration	3,880,077	3,972,660
Medical and surgical supplies	6,244,294	5,565,726
Drugs	1,037,029	983,091
Other supplies and expenses	16,173,437	15,459,166
Amortization of equipment	2,296,282	2,095,403
Cost of other votes	11,719,514	11,335,993
Cost of other programs	4,639,582	3,975,872
	<u>89,929,967</u>	<u>86,196,505</u>
Excess of revenue over expenses before undernoted	432,747	20,220
Gain on sale of capital assets	-	3,924
Amortization of deferred capital contributions for building and leaseholds	2,451,228	2,282,892
Amortization expense - building and leaseholds	(3,400,471)	(3,207,973)
Interest expense	(48,561)	(53,940)
	<u>(997,804)</u>	<u>(975,097)</u>
Excess of expenses over revenue	<u>\$ (565,057)</u>	<u>\$ (954,877)</u>

See accompanying notes to financial statements.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

## Statement of Changes in Net Assets

Year ended March 31, 2017, with comparative information for 2016

	Unrestricted	Invested in capital assets	2017 Total	2016 Total
Balance (deficiency), beginning of year	\$ (5,534,730)	\$ 15,690,926	\$ 10,156,196	\$ 10,027,683
Excess of revenue over expenses (expenses over revenue)	1,566,694	(2,131,751)	(565,057)	(954,877)
Donation of land	–	–	–	1,083,390
Net change in investment in capital assets (note 9(b))	(1,459,562)	1,459,562	–	–
Balance (deficiency), end of year	\$ (5,427,598)	\$ 15,018,737	\$ 9,591,139	\$ 10,156,196

See accompanying notes to financial statements.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

## Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operating activities:		
Excess of expenses over revenue	\$ (565,057)	\$ (954,877)
Items not involving cash:		
Amortization of building and leaseholds	3,400,471	3,207,973
Amortization of equipment	2,296,282	2,095,403
Amortization of deferred capital contributions for equipment	(1,113,774)	(793,106)
Amortization of deferred capital contributions for building and leaseholds	(2,451,228)	(2,282,892)
Gain on sale of capital assets	-	3,924
Change in employee future benefits liability	175,300	232,400
Change in non-cash working capital:		
Accounts receivable	(597,219)	(105,017)
Inventory of supplies	20,103	37,428
Prepaid expenses	15,339	(69,552)
Accounts payable and accrued liabilities	871,929	(424,736)
Agency obligations	(75,562)	420,995
	1,976,584	1,367,943
Investing activities:		
Purchase of capital assets	(7,309,817)	(4,637,765)
Purchase of long-term investments	(144,100)	-
	(7,453,917)	(4,637,765)
Financing activities:		
Repayment of bank loan	-	(2,455,000)
Proceeds from long-term debt	-	2,942,500
Repayment of long-term debt	(230,241)	(151,949)
Receipt of deferred capital contributions	6,462,388	3,004,593
	6,232,147	3,340,144
Increase in cash and cash equivalents	754,814	70,322
Cash and cash equivalents, beginning of year	7,714,659	7,644,337
Cash and cash equivalents, end of year	\$ 8,469,473	\$ 7,714,659
Cash and cash equivalents consist of:		
Operating fund	\$ 7,161,865	\$ 5,768,229
Agency obligations	1,307,535	1,685,479
Capital fund	73	260,951
	\$ 8,469,473	\$ 7,714,659

See accompanying notes to financial statements.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements

Year ended March 31, 2017

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The Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston ("Hotel Dieu Hospital" or the "Hospital") was incorporated under the Corporations Act of Ontario and its principal activity is the operation of health services. The Hospital is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

The Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston operates under the canonical sponsorship of Catholic Health International.

Capital assets disclosed in the statement of financial position include land, buildings and building service equipment, some of which were contributed by Religious Hospitallers of Saint Joseph.

## 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations.

### (a) Revenue recognition:

The Hospital is funded primarily by the Ontario Ministry of Health and Long-Term Care (MOHLTC) and the South East Local Health Integration Network (LHIN). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued.

The Hospital follows the deferral method of accounting for contributions, which include donations and government grants. These financial statements reflect agreed arrangements approved by the MOHLTC and LHIN with respect to the year ended March 31, 2017.

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 expenditures 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.

Contributions of non-amortizable capital assets are recorded as direct increases in net assets in the year in which they are received.

Other revenues are recorded as earned and when services are performed.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

### (b) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and 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. Management has elected to subsequently carry its long-term investments at fair value as they are managed and evaluated on a fair value basis.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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 year if there are indicators of impairment. If there is an indicator of impairment, the Hospital 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 Hospital 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.

### (c) Cash and cash equivalents:

Cash and cash equivalents consist of cash and investments in money market or other short-term investments with maturity of less than 90 days.

### (d) Inventory:

Inventory of supplies is valued at the lower of average cost and net realizable value.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

### (e) Capital assets:

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 as incurred. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Hospital's ability to provide services, the carrying amount of the asset is written down to its residual value. Amortization of cost and any corresponding deferred contribution is calculated on a straight-line basis using the following annual rates per MOHLTC guidelines:

Asset	Rate
Building and leaseholds	2% to 15%
Equipment and other	5% to 20%

Construction-in-progress comprises construction and development costs and capitalized interest, if any. No amortization is recorded until construction is substantially complete and assets are ready for productive use.

### (f) Employee benefit plans:

#### (i) Accrued post-employment benefits:

The Hospital accrues its obligations for employee benefit plans using an annual measurement date of March 31. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's estimate of salary escalation, retirement ages of employees, and expected health care costs.

Actuarial gains or losses arise from changes in actuarial assumptions used to determine the accrued benefit obligation. Changes in actuarial gains and losses are amortized to plan expenses over the average remaining service period of active employees. Past service costs, if any, are immediately recognized in the period the plan amendments occur. The average remaining service period of the active employees covered by the employee benefit plan is 13 years (2016 - 13 years).

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 1. Significant accounting policies (continued):

### (f) Employee benefit plans (continued):

#### (ii) Multi-employer pension plan:

The Hospital is an employer member of the Health Care of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Hospital has adopted defined contribution plan accounting principles for the Plan because insufficient information is available to apply defined benefit plan accounting principles. Contributions to the multi-employer defined benefit plan are expensed when due.

The most recent funding valuation of this multi-employer pension plan conducted as at December 31, 2016 disclosed actuarial assets of \$66,421 million with accrued pension liabilities of \$54,461 million, resulting in a surplus of \$11,960 million. This valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2016, based on the assumptions and methods adopted for the valuation.

### (g) Contributed services:

A substantial number of volunteers contribute a significant amount of time each year in support of the Hospital. The fair value of these contributed services is not recorded 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 these estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statement in the period in which they become known.

### (i) Statement of remeasurement gains and losses:

A statement of remeasurement gains and losses has not been provided as there are no significant unrealized gains or losses at March 31, 2017.

## 2. Agency obligations:

The Hospital acts as an agent, which holds resources and makes disbursements on behalf of various unrelated individuals or groups. The Hospital has no discretion over such agency transactions. Resources received in connection with such agency transactions are reported as liabilities and subsequent distributions are reported as decreases to this liability. At March 31, 2017, the Hospital held cash, cash equivalents and long-term investments totaling \$2,833,964 (2016 - \$3,067,809) which are restricted for settlement of agency obligations.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

### 3. Accounts receivable:

	2017	2016
Province of Ontario	\$ 1,016,545	\$ 1,392,214
Other receivables	4,872,975	3,900,087
	<b>\$ 5,889,520</b>	<b>\$ 5,292,301</b>

### 4. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Land	\$ 1,676,938	\$ –	\$ 1,676,938	\$ 1,676,938
Construction-in-progress	1,537,284	–	1,537,284	2,062,073
Building and leaseholds	111,317,410	55,283,105	56,034,305	54,034,350
Equipment and other	56,564,274	49,531,344	7,032,930	7,021,693
	<b>\$ 171,095,906</b>	<b>\$ 104,814,449</b>	<b>\$ 66,281,457</b>	<b>\$ 64,795,054</b>

As at March 31, 2017, the estimated cost to complete all construction-in-progress is approximately \$2,750,000 (2016 - \$700,500).

During the year, \$1,848,841 (2016 - \$124,062) was transferred from construction-in-progress to building and equipment upon completion of specific projects.

Cost and accumulated amortization of capital assets at March 31, 2016 amounted to \$164,065,719 and \$99,270,665, respectively.

### 5. Long-term investments:

	2017	2016
Equity shares (cost - \$Nil)	\$ 104,960	\$ 96,287
Corporate bonds (cost - \$1,527,813; 2016 - \$1,387,990)	1,517,982	1,382,555
	<b>\$ 1,622,942</b>	<b>\$ 1,478,842</b>

Corporate bonds earn interest at rates of 2.24% to 4.25% (2016 - 2.24% to 4.25%).

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 6. Long-term debt, bank loan and credit facilities:

(a) Long-term debt consists of:

	2017	2016
Fixed rate bank term loan with interest of 1.98%, payable in monthly installments of \$19,168 on account of principal and interest, due May 2018	\$ 2,116,845	\$ 2,303,051
Fixed rate bank term loan with interest of 1.99%, payable in monthly installments of \$4,484 on account of principal and interest, due March 2018	443,465	487,500
	2,560,310	2,790,551
Current portion of long-term debt	633,277	230,110
	\$ 1,927,033	\$ 2,560,441

Principal repayments for the next two years are as follows:

2018	\$ 633,277
2019	1,927,033
	\$ 2,560,310

(b) The credit facilities established by the Hospital's lender consist of an operating line of \$4,736,000. The operating line of credit bears interest at the lender's prime rate of interest. At March 31, 2017, \$Nil (2016 - \$Nil) of the operating line of credit was drawn.

## 7. Employee future benefits:

(a) Pension plan:

Substantially all of the employees of the Hospital are members of the Healthcare of Ontario Pension Plan. Contributions to the Plan made during the year by the Hospital on behalf of its employees amounted to \$3,627,263 (2016 - \$3,510,579) and are recorded in the statement of operations.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 7. Employee future benefits (continued):

### (b) Post-employment benefits:

The Hospital provides extended health care, dental and life insurance benefits (as applicable) to eligible employees upon retirement. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was prepared as at April 1, 2015.

At March 31, 2017, the Hospital's accrued benefit liabilities relating to post-retirement and post-employment benefit plans are \$3,590,200 (2016 - \$3,414,900).

The significant actuarial assumptions adopted in estimating the Hospital's accrued benefit obligation are as follows:

Discount rate for calculation of Fiscal 2017 Net Benefit Cost	3.76%
Discount rate for calculation of March 31, 2017 disclosures	3.56%
Dental benefits escalation	3.00%
Health benefits escalation, decreasing by 0.25% per annum to an ultimate rate of 4.5% per annum	6.00%

Information with respect to the Hospital's post-retirement and post-employment benefit liabilities is as follows:

	2017	2016
Accrued benefit liabilities, beginning of year	\$ 3,414,900	\$ 3,182,500
Current service costs	283,500	292,400
Interest on accrued benefit obligation	150,800	133,100
Benefits paid for the period	(249,400)	(199,000)
Amortization of actuarial loss (gain)	(9,600)	5,900
Accrued benefit liabilities, end of year	\$ 3,590,200	\$ 3,414,900

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 7. Employee future benefits (continued):

(b) Post-employment benefits (continued):

Accrued benefit liabilities at March 31, include the following components:

	2017	2016
Accrued benefit obligation	\$ 4,127,000	\$ 3,851,400
Unamortized experience losses	(536,800)	(436,500)
<b>Accrued benefit liabilities</b>	<b>\$ 3,590,200</b>	<b>\$ 3,414,900</b>

## 8. Deferred contributions related to capital assets:

Deferred capital contributions related to capital assets represent the unamortized and unspent balances of designated grants and donations received for the purchase of buildings and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations. Details of the continuity of these funds are as follows:

	2017	2016
Balance, beginning of year	\$ 46,913,465	\$ 47,004,192
Additional donations and grants received	6,462,388	2,985,271
	53,375,853	49,989,463
Less:		
Amortized to revenue - building and land improvements	2,451,228	2,282,892
Amortized to revenue - equipment	1,113,774	793,106
Write-down related to donated building	126,661	-
<b>Balance, end of year</b>	<b>\$ 49,684,190</b>	<b>\$ 46,913,465</b>

The balance of deferred capital contributions related to capital assets consists of the following:

	2017	2016
Unamortized capital contributions used to purchase assets	\$ 48,702,410	\$ 46,313,577
Unspent contributions	981,780	599,888
	\$ 49,684,190	\$ 46,913,465

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

## 9. Invested in capital assets:

(a) The investment in capital assets is calculated as follows:

	2017	2016
Capital assets	\$ 66,281,457	\$ 64,795,054
Amounts financed by:		
Long-term debt	(2,560,310)	(2,790,551)
Deferred contributions related to capital assets	(48,702,410)	(46,313,577)
	\$ 15,018,737	\$ 15,690,926

(b) Change in net assets invested in capital assets is calculated as follows:

	2017	2016
Excess of expenses over revenue:		
Amortization of deferred capital contributions - building and leaseholds	\$ 2,451,228	\$ 2,282,892
Amortization of deferred capital contributions - equipment	1,113,774	793,106
Amortization of building and leaseholds	(3,400,471)	(3,207,973)
Amortization of equipment	(2,296,282)	(2,095,403)
	\$ (2,131,751)	\$ (2,227,378)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 7,309,816	\$ 4,637,765
Amounts funded by deferred contributions	(6,080,495)	(3,355,370)
Repayment of bank loan	-	2,455,000
Repayment of long-term debt	230,241	151,949
Gain on disposal of capital assets	-	(3,924)
Proceeds from long-term debt	-	(2,942,500)
Donation of land and building	-	1,083,390
Disposal of building assets	126,661	-
Write-down of contributions related to donated building	(126,661)	-
	\$ 1,459,562	\$ 2,026,310

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 10. Related entities:

- (a) The University Hospitals Kingston Foundation ("UHKF") is incorporated without share capital under the Ontario Corporations Act and is a registered charity under the Income Tax Act (Canada). The primary purpose of UHKF is to act as a single fund-raiser 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 fund-raising revenues and program efficiency to raise funds by way of public appeal for the benefit of the Kingston Hospitals. The Hospital has an economic interest in UHKF.

As outlined in the Operating Agreement between the Kingston Hospitals and UHKF dated July 1, 2014, the Board of Directors of the Amalgamated Foundation, UHKF, 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.

During the year, amounts received from UHKF for capital assets purchases totalled \$1,425,820 (2016 - \$1,097,027), non-capital items totalled \$275,011 (2016 - \$112,882) and donation of land totalled \$Nil (2016 - \$1,083,390).

- (b) Volunteer Services to Hotel Dieu Hospital, Kingston, Inc. ("Volunteer Services") is incorporated without share capital under the laws of Ontario with a fiscal year end of August 31. The Hospital has economic interest, but not control, over the Volunteer Services by virtue of Volunteer Services' mission to support the Hospital by donating time and talents to enhance the lives of those in need. All donations from Volunteer Services are directed to the Hospital through the University Hospitals Kingston Foundation. The assets, liabilities, net assets and results of operations of the Volunteer Services are not included in these financial statements.
- (c) Kingston Regional Hospital Laundry Incorporated is incorporated without share capital under the laws of the province of Ontario. The Hospital exercises significant influence, but not control, over the Kingston Regional Hospital Laundry Incorporated. The assets, liabilities, net assets and results of operations of the Kingston Regional Laundry Incorporated are not included in these financial statements. Kingston Regional Laundry Incorporated provides laundry services, linen replacement, uniforms, dry cleaning and other related laundry services to hospitals in the southeastern Ontario region. During the year, the Hospital incurred expenses of \$297,196 (2016 - \$289,161) to Kingston Regional Hospital Laundry Incorporated for laundry services. These expenses are included in other supplies and expenses on the statement of operations.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 10. Related entities (continued):

### (d) Shared Support Services South Eastern Ontario:

The Hospital is a member of a group of seven hospitals within the South East Local Health Integration Network which have voluntarily agreed to enter into a joint project for the purposes of planning, development, implementation and operation of a shared regional supply chain project, consisting of procurement, warehousing, logistics and contract management activities. Shared Support Services South Eastern Ontario ("3SO"), a non-profit corporation, has been created to manage the services and provide procurement oversight on the part of the member hospitals.

Each of the participating hospitals is a voting member of 3SO. Therefore, the Hospital has an economic interest, but not control, over 3SO. The assets, liabilities, net assets and results of operations of the 3SO are not included in the financial statements. During the year, the Hospital incurred costs of \$735,954 (2016 - \$765,538) to 3SO for governance/ operating costs. These costs are included in supplies and other expenses on the statement of operations.

As an equity member, the Hospital has signed a ten-year commitment, expiring in June 2018, which was extended by one year in fiscal 2017 by participating equity member hospitals. The Hospital provided a limited guarantee to a maximum of 11.39% of a \$5,000,000 line of credit secured by 3SO, representing the Hospital's proportionate share of \$569,500. As at March 31, 2017, 3SO has drawn \$Nil (2016 - \$10,000) on this line of credit, of which the Hospital guarantees \$Nil (2016 - \$1,139).

- (e) The Hotel Dieu Hospital Kingston Research Institute ("RI") is federally incorporated as a non-profit corporation and was established on May 6, 2013. The purpose of the RI is to carry on or promote medical scientific research and experimental development on matters approved by the Board of Directors of the RI in conjunction with the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston, Kingston General Hospital, Providence Care Centre and Queen's University at Kingston and their respective successors. At March 31, 2017, the Board of Directors of the RI included certain members of the Hospital's Board of Directors, as well as the Hospital's CEO. As a result of the composition of the RI Board of Directors, the Hospital exercises significant influence, but not control, over the RI. During the year, the Hospital provided \$170,929 (2016 - \$214,633) of research initiative funding to the RI.

Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 11. Contingent liabilities:

(a) The nature of the Hospital's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2017, management believes that the Hospital has valid defenses and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Hospital's financial position.

(b) Healthcare Insurance Reciprocal of Canada:

The Hospital is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2017.

Since its inception in 1987, HIROC has accumulated an un-appropriated 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 un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivables from HIROC as of March 31, 2017.

## 12. Financial instruments:

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

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Hospital is exposed to credit risk with respect to cash, cash equivalents, accounts receivable and long-term investments.

The Hospital assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Hospital at March 31, 2017 is the carrying value of these assets.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 12. Financial instruments (continued):

### (a) Credit risk (continued):

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of the allowance for doubtful accounts at March 31, 2017 is \$212,784 (2016 - \$175,717).

As at March 31, 2017, \$21,211 (2016 - \$62,308) of trade accounts receivable were past due, but not impaired.

The Hospital follows an investment policy approved by the Board of Directors. The maximum exposure to credit risk on the Hospital's cash, cash equivalents and long-term investments is the carrying value of these assets.

There have been no significant changes to the credit risk exposure from 2016.

### (b) Liquidity risk:

Liquidity risk is the risk that the Hospital will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Hospital manages its liquidity risk by monitoring its operating requirements. The Hospital prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from 2016.

### (c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Hospital's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

There have been no significant changes to the market risk exposure from 2016

### (d) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

The Hospital's long-term investments are disclosed in note 5.

# RELIGIOUS HOSPITALLERS OF SAINT JOSEPH OF THE HOTEL DIEU OF KINGSTON

Notes to Financial Statements (continued)

Year ended March 31, 2017

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## 12. Financial instruments (continued):

### (d) Interest rate risk (continued):

The Hospital's long-term debt and credit facilities are disclosed in note 6. Interest rate risk on the long-term debt is minimized through the Hospital's current strategy of having its long-term debt under fixed-rate arrangements. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows related to the credit facilities, if any amounts were drawn upon.

## 13. Subsequent event:

During the year, Kingston General Hospital and the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston (operating as Hotel Dieu Hospital) received the approval of the Minister of Health and Long-Term Care of Ontario under the Public Hospitals Act to incorporate a new hospital under the Corporations Act (Ontario) to be known as the Kingston Health Sciences Centre (KHSC). The newly formed corporation integrated the operations of each of the former hospitals on April 1, 2017. The land and buildings owned by the Religious Hospitallers of Saint Joseph of the Hotel Dieu of Kingston and their associated deferred contributions were not transferred to KHSC on April 1, 2017. The book value of this land and buildings at March 31, 2017 was \$57,621,055 and the associated contributions totaled \$43,327,529 and will be the only items reported on the Hospital's statement of financial position after March 31, 2017.