

*Financial Statements of*

**QUEENSWAY CARLETON  
HOSPITAL FOUNDATION**

*March 31, 2013*

## Independent Auditor's Report

To the Board of Directors of  
Queensway Carleton Hospital

We have audited the accompanying financial statements of Queensway Carleton Hospital Foundation (the "Foundation"), which comprise the statement of financial position as at March 31, 2013, and the statements of operations, 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 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.

## Independent Auditor's Report (Continued)

### *Auditor's Responsibility (Continued)*

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

### *Auditor's Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2013, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2 to the financial statements and the fact that the Foundation adopted Canadian accounting standards for not-for-profit organizations on April 1, 2012, with its transition date being April 1, 2011. These standards have been applied retrospectively by management to comparative figures included in these financial statements, including the statements of financial position as at March 31, 2012 and April 1, 2011, and the statements of operations, changes in fund balances and cash flows for the year ended March 31, 2012, including the accompanying notes. We were not engaged to report on the comparative figures and as such, they have not been audited.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

June 6, 2013

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Financial Statements**  
**March 31, 2013**

---

	<u>PAGE</u>
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Fund Balances	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 25

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Statement of Financial Position**  
as at March 31, 2013

	General Fund	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Better Tools for Better Care Campaign	Parking and Gift Shop Operations Fund	March 31, 2013	March 31, 2012 (Unaudited) (Note 2)	April 1, 2011 (Unaudited) (Note 2)
<b>CURRENT ASSETS</b>									
Cash	\$ 1,256,158	\$ -	\$ 574,519	\$ 2,162,335	\$ 99,935	\$ 2,702,695	\$ 6,795,642	\$ 8,945,132	\$ 7,552,662
Investments (Note 5)	161,797	-	-	2,530,074	-	1,518,045	4,209,916	4,132,707	164,402
Accrued interest	-	-	6,130	44,257	-	26,554	76,941	77,529	5,976
Amounts receivable	10,112	-	-	-	-	4,650	14,762	13,572	16,062
Prepaid expenses	14,866	-	-	-	-	3,083	17,949	10,145	10,920
Inventory	-	-	-	-	-	39,915	39,915	40,053	50,487
Due from the Hospital (Note 15)	-	-	-	-	-	143,474	143,474	825,738	482,090
	1,442,933	-	580,649	4,736,666	99,935	4,438,416	11,298,599	14,044,876	8,282,599
INVESTMENTS (Note 5)	-	1,850,356	60,151	-	-	-	1,910,507	1,844,366	1,874,568
CAPITAL ASSETS (Note 6)	13,557	-	-	-	-	10,438,121	10,451,678	10,948,412	11,451,247
	\$ 1,456,490	\$ 1,850,356	\$ 640,800	\$ 4,736,666	\$ 99,935	\$ 14,876,537	\$ 23,660,784	\$ 26,837,654	\$ 21,608,414
<b>CURRENT LIABILITIES</b>									
Due to the Hospital (Note 15)	\$ 973,598	-	\$ 142,894	\$ 2,000,000	\$ 22,378	\$ 952,150	\$ 4,091,020	\$ 4,493,937	\$ 1,148,923
Accounts payable and accrued liabilities	66,676	-	-	-	-	1,588	68,264	63,261	63,013
Deferred contributions (Note 8)	161,797	-	-	-	-	-	161,797	163,135	164,402
Debt (Note 9)	-	-	-	-	-	9,629,642	9,629,642	9,882,893	10,127,325
	1,202,071	-	142,894	2,000,000	22,378	10,583,380	13,950,723	14,603,226	11,503,663
<b>FUND BALANCES</b>									
Unrestricted	240,862	-	-	-	-	-	240,862	249,619	341,961
Parking and Gift Shop Operations Fund	-	-	-	-	-	3,352,526	3,352,526	3,044,278	1,994,720
Invested in capital assets	13,557	-	-	-	-	808,479	822,036	1,065,519	1,323,922
Internally restricted (Note 10)	-	-	-	-	-	132,152	132,152	116,252	98,136
Restricted									
Endowment Fund	-	1,850,356	-	-	-	-	1,850,356	1,796,160	1,769,128
Funds for Designated Purposes (Note 11)	-	-	497,906	-	-	-	497,906	1,116,353	912,875
Care Grows West Campaign	-	-	-	2,736,666	-	-	2,736,666	4,846,247	3,664,009
Better Tools for Better Care Campaign	-	-	-	-	77,557	-	77,557	-	-
	254,419	1,850,356	497,906	2,736,666	77,557	4,293,157	9,710,061	12,234,428	10,104,751
	\$ 1,456,490	\$ 1,850,356	\$ 640,800	\$ 4,736,666	\$ 99,935	\$ 14,876,537	\$ 23,660,784	\$ 26,837,654	\$ 21,608,414

See accompanying notes to the financial statements.  
On behalf of the Board:



Director

Director

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**

**Statement of Operations**

year ended March 31, 2013

	General Fund	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Better Tools for Better Care Campaign	Parking and Gift Shop Operations Fund	Total	
							2013	2012
								(Unaudited) (Note 2)
Revenue								
Donations	\$ 1,518,796	\$ -	\$ 249,664	\$ 2,061,820	\$ 99,760	\$ -	\$ 3,930,040	\$ 9,666,143
Donations in-kind	1,436	-	-	-	-	-	1,436	3,565
Investment income (Note 12)	92,398	54,196	18,839	87,768	175	52,273	305,649	205,424
Parking operations	-	-	-	-	-	4,219,769	4,219,769	4,128,761
Gift Shop	-	-	-	-	-	187,827	187,827	205,605
<b>Total revenue</b>	<b>1,612,630</b>	<b>54,196</b>	<b>268,503</b>	<b>2,149,588</b>	<b>99,935</b>	<b>4,459,869</b>	<b>8,644,721</b>	<b>14,209,498</b>
Expenses								
Salaries and benefits (Note 15)	988,459	-	-	-	-	-	988,459	755,093
Fundraising and administrative	547,606	-	-	-	-	-	547,606	548,829
Investment fees	16,899	-	1,763	-	-	-	18,662	18,547
Parking operations	-	-	-	-	-	1,006,269	1,006,269	1,011,131
Gift Shop	-	-	-	-	-	174,859	174,859	190,152
Interest on long-term debt	-	-	-	-	-	345,942	345,942	354,721
Amortization of capital assets	15,976	-	-	-	-	489,468	505,444	510,957
	<b>1,568,940</b>	<b>-</b>	<b>1,763</b>	<b>-</b>	<b>-</b>	<b>2,016,538</b>	<b>3,587,241</b>	<b>3,389,430</b>
Excess of revenue over expenses before grants	43,690	54,196	266,740	2,149,588	99,935	2,443,331	5,057,480	10,820,068
Grants (Note 15)	-	-	(209,469)	(5,000,000)	(22,378)	(2,350,000)	(7,581,847)	(8,690,391)
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>\$ 43,690</b>	<b>\$ 54,196</b>	<b>\$ 57,271</b>	<b>\$ (2,850,412)</b>	<b>\$ 77,557</b>	<b>\$ 93,331</b>	<b>\$ (2,524,367)</b>	<b>\$ 2,129,677</b>

See accompanying notes to the financial statements.

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**

**Statement of Changes in Fund Balances**

year ended March 31, 2013

	General Fund			Funds for Designated Purposes	Care Grows West Campaign	Better Tools for Better Care Campaign	Parking and Gift Shop Operations Fund			Total	
	Unrestricted	Invested in Capital Assets	Endowment Fund				Operations	Invested in Capital Assets	Internally Restricted (Note 10)	2013	2012 (Unaudited) (Note 2)
BALANCE, BEGINNING OF YEAR (Note 2)	\$ 249,619	\$ 26,223	\$ 1,796,160	\$ 1,116,353	\$ 4,846,247	\$ -	\$ 3,044,278	\$ 1,039,296	\$ 116,252	\$ 12,234,428	\$ 10,104,751
Excess (deficiency) of revenue over expenses	43,690	-	54,196	57,271	(2,850,412)	77,557	93,331	-	-	(2,524,367)	2,129,677
Net changes in fund balance invested in capital assets (Note 13)	12,666	(12,666)	-	-	-	-	230,817	(230,817)	-	-	-
Interfund transfers (Note 14)	(65,113)	-	-	(675,718)	740,831	-	-	-	-	-	-
Internally restricted (Note 10)	-	-	-	-	-	-	(15,900)	-	15,900	-	-
<b>BALANCE, END OF YEAR</b>	<b>\$ 240,862</b>	<b>\$ 13,557</b>	<b>\$ 1,850,356</b>	<b>\$ 497,906</b>	<b>\$ 2,736,666</b>	<b>\$ 77,557</b>	<b>\$ 3,352,526</b>	<b>\$ 808,479</b>	<b>\$ 132,152</b>	<b>\$ 9,710,061</b>	<b>\$ 12,234,428</b>

See accompanying notes to the financial statements.

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Statement of Cash Flows

year ended March 31, 2013

	<u>2013</u>	<u>2012</u> (Unaudited) (Note 2)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess (deficiency) of revenue over expenses	\$ (2,524,367)	\$ 2,129,677
Items not affecting cash		
Change in unrealized gains and losses on investments (Note 12)	66,055	91,515
Amortization of capital assets - General Fund	15,976	21,569
Amortization of capital assets - Parking and Gift Shop Operations	489,468	489,388
	<b>(1,952,868)</b>	2,732,149
Changes in non-cash operating working capital items		
Accrued interest	588	(71,553)
Amounts receivable	(1,190)	2,490
Prepaid expenses	(7,804)	775
Inventory	138	10,434
Due to/from the Hospital	279,347	3,001,366
Accounts payable and accrued liabilities	5,003	248
Deferred contributions (note 8)	(1,338)	(1,267)
	<b>(1,678,124)</b>	5,674,642
INVESTING		
Purchase of investments	(264,743)	(4,092,885)
Sales and maturities of investments	55,338	63,267
Purchase of capital assets	(8,710)	(8,122)
	<b>(218,115)</b>	(4,037,740)
FINANCING		
Principal repayments of long-term debt	(253,251)	(244,432)
NET CASH INFLOW (OUTFLOW)	<b>(2,149,490)</b>	1,392,470
CASH, BEGINNING OF YEAR	<b>8,945,132</b>	7,552,662
CASH, END OF YEAR	<b>\$ 6,795,642</b>	\$ 8,945,132

See accompanying notes to the financial statements.



# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 1. NATURE OF ENTITY

The Queensway Carleton Hospital Foundation (the "Foundation") is a not-for-profit organization incorporated without share capital under the Ontario Business Corporations Act with the objective to raise, receive, maintain and manage funds to be distributed towards various programs and capital projects of the Queensway Carleton Hospital (the "Hospital").

The Foundation is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue charitable donation receipts.

### 2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK

As at April 1, 2012, the Foundation adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standards for not-for-profit organizations (the "new standards"). In accordance with Section 1501 of the CICA Handbook, *First-Time Adoption by Not-for-Profit-Organizations*, ("Section 1501"), the date of transition to the new standards is April 1, 2011 and the Foundation has prepared and presented an opening Statement of Financial Position at the date of transition to the new standards. This opening Statement of Financial Position is the starting point for the Foundation's accounting under the new standards. In its opening Statement of Financial Position, under the recommendations of Section 1501, the Foundation:

- a) recognized all assets and liabilities whose recognition is required by the new standards;
- b) did not recognize items as assets or liabilities if the new standards do not permit such recognition;
- c) reclassified items that it recognized previously as one type of asset, liability or component of net assets, but are recognized as a different type of asset, liability or component of net assets under the new standards; and
- d) applied the new standards in measuring all recognized assets and liabilities.

In accordance with the requirements of Section 1501, the accounting policies set out in Note 3 have been consistently applied to all years presented and adjustments resulting from the adoption of the new standards have been applied on a retrospective basis.

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

---

**2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)**

*Impact of the adoption of the new standards on the Statement of Financial Position as at April 1, 2011 is summarized as follows:*

Statement of Financial Position

	Balance as previously reported as at March 31, <u>2011</u>	<u>Adjustment</u>	<u>Reference</u>	Balance as adjusted as at April 1, <u>2011</u>
Liabilities and other components				
Long-term debt	\$ 9,921,111	\$ 206,214	(a)	\$ 10,127,325
Fund balances, invested in capital assets	<u>1,530,136</u>	<u>(206,214)</u>	<u>(a)</u>	<u>1,323,922</u>
Total adjustment to liabilities and other components of fund balances	<u>\$ 11,451,247</u>	<u>\$ -</u>		<u>\$ 11,451,247</u>

*Impact of the adoption of the new standards on the Statement of Financial Position as at March 31, 2012 is summarized as follows:*

Statement of Financial Position

	Balance as previously reported as at March 31, <u>2012</u>	<u>Adjustment</u>	<u>Reference</u>	Balance as adjusted as at March 31, <u>2012</u>
Liabilities and other components				
Long-term debt	\$ 10,471,713	\$ (588,820)	(a)	\$ 9,882,893
Fund balances, invested in capital assets	<u>476,699</u>	<u>588,820</u>	<u>(a)</u>	<u>1,065,519</u>
Total adjustment to liabilities and other components of fund balances	<u>\$ 10,948,412</u>	<u>\$ -</u>		<u>\$ 10,948,412</u>

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

---

**2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)**

*Impact of the adoption of the new standards on the Statement of Changes in Fund Balances and Statement of Operations for the year ended March 31, 2012 is summarized as follows:*

Statement of Changes in Fund Balances

	Balance as previously reported as at March 31, <u>2012</u>	<u>Adjustment</u>	<u>Reference</u>	Balance as adjusted as at March 31, <u>2012</u>
Fund balances, beginning of year	\$ 10,310,965	\$ (206,214)	(a)	\$ 10,104,751
Fund balances, end of year	11,645,608	588,820	(a)	12,234,428
Balance, beginning of year, parking and gift shop operations, invested in capital assets	\$ 450,476	\$ 588,820	(a)	\$ 1,039,296

Statement of Operations

	Balance as previously reported as at March 31, <u>2012</u>	<u>Adjustment</u>	<u>Reference</u>	Balance as adjusted as at March 31, <u>2012</u>
Excess of revenue over expenses before grants	\$ 10,911,583	\$ (91,515)	(b)	\$ 10,820,068
Grants	(8,690,391)	-		(8,690,391)
Excess (deficiency) of revenue over expenses	\$ 2,221,192	\$ (91,515)	(b)	\$ 2,129,677

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 2. ADOPTION OF A NEW ACCOUNTING FRAMEWORK (Continued)

#### *Explanation of adjustments*

##### a) Financial Liabilities

The Foundation holds interest rate swaps underlying the long-term debt, which as an effective hedge, are now recorded at amortized cost on the Statement of Financial Position. Prior to the adoption of the new standards, this financial liability was recorded at fair value on the Statement of Financial Position with the changes recorded in the Statement of Changes in Fund Balances. Accordingly, the fair value gain of \$206,214 as of April 1, 2011 and fair value loss of \$588,520 as of March 31, 2012 are removed from long-term debt and invested in capital assets fund balance on the Statement of Financial Position. In addition, in the Statement of Changes in Fund Balances, the balance, beginning of year were restated to remove the fair value gain of \$206,214 at March 31, 2011 and the fair value loss of \$588,820 at March 31, 2012.

##### b) Financial Assets

The Foundation has elected to measure all its investments at fair value. Such fair value changes are recognized in the Statement of Operations. Prior to the adoption of the new standards, the Foundation recorded investments at fair value with the changes recorded in the Statement of Changes in Fund Balances. Accordingly, the fair value loss of \$91,515 for the year ended March 31, 2012 is recorded as a decrease in investment income on the Statement of Operations. In addition, the decrease in unrealized gains on available-for-sale financial assets of \$91,515 for the year ended March 31, 2012 on the Statement of Changes in Fund Balances has been removed. Therefore, there is no adjustment in the ending fund balances as a result of the adoption of the new standards.

The Statement of Cash Flows, prior to adoption of the new standards, reported the excess of revenue over expenses as \$2,221,192 at March 31, 2012. Under the new standards, the fair value loss of \$91,515 is included in excess of revenue over expenses before grants. Accordingly, the fair value loss of \$91,515 is now recorded as a decrease in unrealized gain on investments as an item not affecting cash. Therefore, the operating cash related activities continues to be reported as \$2,732,149 and is not impacted as a result of the adoption of the new standards.

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### *Fund accounting*

The accounts of the Foundation are maintained in accordance with the principles of fund accounting, applying the restricted fund method. Resources received and expended are classified for accounting and reporting purposes into funds according to objectives specified externally by donors or internally by the Board of Directors.

#### (i) General Fund

The General Fund accounts for the Foundation's general fundraising, granting, administrative activities, and restricted contributions for purposes other than those restricted by the Endowment Fund, the Funds for Designated Purposes, the Care Grows West Campaign, the Better Tools for Better Care Campaign and the Parking and Gift Shop Operations Fund.

#### (ii) Endowment Fund

The Endowment Fund includes those resources for which the donor has stipulated that the funds be maintained permanently and as well funds designated internally to be for endowment purposes and not available for other purposes without the approval of the Board of Directors.

The Endowment Fund includes:

- (a) The John Sutherland Endowment Fund established for the purpose of accumulating capital, the income from which will be used to purchase new or replace aging equipment of the Hospital.
- (b) The Bradley Endowment Fund established to assist the staff of the Hospital in training and development, the income from which may be used for this purpose.
- (c) The Nurses Endowment Fund established to assist with nursing education, the income from which may be used for this purpose.
- (d) The Dr. Ladislav Doubek Fund established to assist with surgical education and capital equipment for the operating rooms, the income from which may be used for this purpose.

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Fund accounting (Continued)*

#### (iii) Funds for Designated Purposes

The Funds for Designated Purposes represent resources that will be distributed for several specific purposes. These resources include donor designated donations for various Hospital departments and equipment purchases, undistributed endowment investment income and the net proceeds from the Lottery and Nevada programs designated for Hospital equipment. This fund also includes the Hand in Hand Campaign Equipment and Building Fund.

#### (iv) Care Grows West Campaign

The Care Grows West Campaign, previously known as the Strengths Campaign Equipment and Building Fund, includes resources that have been raised under the Foundation's current capital campaign. The net proceeds of this campaign are to be used to purchase hospital equipment and for funding the Hospital's Phase III Redevelopment Project, and for the Hospital's Irving Greenberg Family Cancer Centre for which substantial completion was reached during the year and opened for patients in April 2010 as part of the regional cancer program.

#### (v) Better Tools for Better Care Campaign

The Better Tools for Better Care Campaign Fund includes resources that have been raised under the Foundation's newest campaign. The net proceeds of this campaign are to be used to purchase specific hospital equipment, hardware and software, investments in knowledge building and Hospital workflows with the goal of transforming patient care at the Hospital through people-focused technology.

#### (vi) The Parking and Gift Shop Operations Fund

The Parking and Gift Shop Operations Fund includes resources that have been earned from the net proceeds from the Parking and Gift Shop Operations.

#### *Revenue recognition*

Donations are recorded as revenue when received.

Revenue from special events is recognized when the event occurs.

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Revenue recognition (Continued)*

Unrestricted contributions are recognized as revenue of the General Fund. Designated donations are recorded as revenue of the Endowment Fund, the Funds for Designated Purposes, the Care Grows West Campaign or Better Tools for Better Care Campaign as appropriate. If there is no appropriate restricted fund, restricted contributions are accumulated as deferred contributions of the General Fund and subsequently recognized as revenue of the General Fund upon transfer to the Hospital.

Investment income includes dividend and interest income, realized gains and losses on of investments, and if applicable, charges for other than temporary impairment of investments.

Investment income for the General Fund, the Funds for Designated Purposes, the Care Grows West Campaign, the Better Tools for Better Care Campaign and the Parking and Gift Shop Operations Fund is recognized as revenue in the Statement of Operations when earned, for both realized and unrealized income, in each of the respective funds in which the investment is held. Unrestricted investment income and realized gains and losses earned on the Endowment Fund are recognized in the General Fund and then allocated to the Funds for Designated Purposes via an interfund transfer. Restricted investment income earned on externally restricted endowments is recognized in the Funds for Designated Purposes. Realized gains and losses on externally restricted endowments are recognized in the Statement of Operations of the Endowment Fund.

#### *Cash*

Cash is carried at fair value.

#### *Investments*

All investments (except the life annuity contract) are recorded at fair value.

#### *Short-term investments*

The life annuity contract is recorded at amortized cost. In 2005, the Foundation received a donation of \$170,726 which was used to purchase the life annuity. As part of this donation arrangement, the Foundation was assigned all beneficiary rights of a life insurance policy. In the event of the passing of the insured, the Foundation is entitled to receive a payment of \$1,500,000. The annual income from the annuity coincides with and is used to pay the annual insurance premium of the life insurance policy. Both the annual income on the annuity and the life insurance premium have been recorded in the General Fund Statement of Operations of the Foundation. The unamortized portion of this donation, which approximates the fair value of the annuity, is recorded as deferred revenue in the General Fund.

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Investments (Continued)*

##### Long-term investments

The long-term investments held by the Foundation consist of investments held for the Endowment Fund. The investments held for the Endowment Fund are recorded at fair value.

#### *Long-term debt*

Long-term debt is recorded at amortized cost using the effective interest rate method. The fair values of the loans are based on an assessment of interest rate risk and credit risk.

#### *Derivative financial instruments*

The Foundation uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see Note 9 for further details).

Hedge accounting is applied when a derivative is designated a hedge of a specific exposure and there is reasonable assurance that it will continue to be effective throughout the term of the hedge relationship. The Foundation uses interest rate swaps designated as cash flow hedges to hedge variability in forecasted cash flows. Changes in the fair value of effective cash flow hedges are not recorded. If the cash flow hedge is not effective, changes in the fair value of cash flow hedge will be reported directly in the Statement of Operations.

The periodic exchanges of payments on interest rate swaps designated as hedges of debt are recorded as an adjustment to interest expenses of the hedged item in the same period.

#### *Other financial instruments*

Amounts receivable and due from the Hospital are carried at amortized cost, which approximates fair value.

Due to the Hospital and accounts payable and accrued liabilities are carried at amortized cost and fair value approximates amortized cost.

#### *Inventory*

Inventory is valued at the lower of cost or net realizable value. Cost is determined on a first in, first out basis.



# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Capital assets*

Capital assets are recorded at cost. Amortization expense is recorded in the General Fund and the Parking and Gift Shop Operations Fund and is provided on the straight-line basis over the following useful lives:

Computer hardware and software	5 years
Office furniture	5 years
Donor wall	10 years
Gift shop improvements	5 years
Parking facility license	25 years

#### *Donation-in-kind*

Donations of materials and services are recorded as revenue at fair value when received.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Such estimates include judgments as to the recoverability of amounts receivable, the fair value of investments, the useful lives of capital assets and the amount of accrued liabilities. Actual results could differ from these estimates. These estimates are reviewed annually and, as adjustments become necessary, they are recorded in the financial statements in the period they become known.

### 4. CAPITAL MANAGEMENT

The Foundation defines its capital as the fund balances of the General Fund, the Endowment Fund, the Funds for Designated Purposes, the Care Grows West Campaign, the Better Tools for Better Care Campaign, the Parking and Gift Shop Operations Fund and the long-term debt. These restricted funds are maintained to segregate contributions raised and expended according to restrictions made externally by donors or internally by the Board of Directors as described in Note 3. Resources expended from these funds are primarily in the form of grants to the Hospital which must be approved by the Foundation's Board of Directors ensuring restrictions are met through the Hospital's accountability on the use of the grants on specific capital projects and programs. The Foundation has complied with the requirements respecting restricted contributions throughout the year.

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

---

**4. CAPITAL MANAGEMENT (Continued)**

The Foundation monitors its cost of raising capital consistent with fundraising industry standards on the basis of cost per dollar raised. The Foundation's strategy is to maintain a cost per dollar raised within acceptable industry standards to safeguard the Foundation's ability to continue as an effective fundraising and fund managing charitable organization and to meet its objective as described in Note 1.

Information regarding the long-term debt is disclosed in Note 9.

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

**5. INVESTMENTS**

Investments held as at March 31, 2013 consist of the following:

	<b>March 31, 2013</b>											
	<u>General Fund</u>		<u>Endowment Fund</u>		<u>Funds for Designated Purposes</u>		<u>Care Grows West Campaign</u>		<u>Parking and Gift Shop Operations Fund</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Fixed income and cash	\$ -	\$ -	\$ 574,468	\$ 557,404	\$ 60,151	\$ 60,151	\$ 2,530,074	\$ 2,645,576	\$ 1,518,045	\$ 1,587,345	\$ 4,682,738	\$ 4,850,476
Life annuity contract (Note 8)	<b>161,797</b>	<b>161,797</b>	-	-	-	-	-	-	-	-	<b>161,797</b>	<b>161,797</b>
Equities												
Canadian	-	-	634,153	557,138	-	-	-	-	-	-	\$ 634,153	\$ 557,138
Foreign	-	-	641,735	508,597	-	-	-	-	-	-	\$ 641,735	\$ 508,597
	-	-	<b>1,275,888</b>	<b>1,065,735</b>	-	-	-	-	-	-	<b>1,275,888</b>	<b>1,065,735</b>
Total investments	<b>161,797</b>	<b>161,797</b>	<b>1,850,356</b>	<b>1,623,139</b>	<b>60,151</b>	<b>60,151</b>	<b>2,530,074</b>	<b>2,645,576</b>	<b>1,518,045</b>	<b>1,587,345</b>	<b>\$ 6,120,423</b>	<b>\$ 6,078,008</b>
Short-term investments	<b>(161,797)</b>	<b>(161,797)</b>	-	-	-	-	<b>(2,530,074)</b>	<b>(2,645,576)</b>	<b>(1,518,045)</b>	<b>(1,587,345)</b>	<b>\$ (4,209,916)</b>	<b>\$ (4,394,718)</b>
Long-term investments	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,850,356</b>	<b>\$ 1,623,139</b>	<b>\$ 60,151</b>	<b>\$ 60,151</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,910,507</b>	<b>\$ 1,683,290</b>

Fixed Income is comprised of corporate and government bonds; the effective interest rate varies between 2.7% and 6.5% (March 31, 2012 - 2.7% and 6.5%, April 1, 2011 - 3.75% and 6.15%) with maturity dates varying between December 2012 and June 2029 (March 31, 2012 - December 2012 and June 2029, April 1, 2011 - September 2011 and June 2022).

## QUEENSWAY CARLETON HOSPITAL FOUNDATION

### Notes to the Financial Statements

year ended March 31, 2013

#### 5. INVESTMENTS (Continued)

Investments held as at March 31, 2012 consist of the following:

	March 31, 2012											
	General Fund		Endowment Fund		Funds for Designated Purposes		Care Grows West Campaign		Parking and Gift Shop Operations Fund		Total	
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost
Fixed income and cash	\$ -	\$ -	\$ 588,893	\$ 573,570	\$ 48,206	\$ 48,206	\$ 2,480,982	\$ 2,522,374	\$ 1,488,590	\$ 1,513,425	\$ 4,606,671	\$ 4,657,575
Life annuity contract (Note 8)	163,135	163,135	-	-	-	-	-	-	-	-	163,135	163,135
Equities												
Canadian	-	-	534,782	476,136	-	-	-	-	-	-	\$ 534,782	\$ 476,136
Foreign	-	-	672,485	571,757	-	-	-	-	-	-	\$ 672,485	\$ 571,757
	-	-	1,207,267	1,047,893	-	-	-	-	-	-	1,207,267	1,047,893
Total investments	163,135	163,135	1,796,160	1,621,463	48,206	48,206	2,480,982	2,522,374	1,488,590	1,513,425	\$ 5,977,073	\$ 5,868,603
Short-term investments	(163,135)	(163,135)	-	-	-	-	(2,480,982)	(2,522,374)	(1,488,590)	(1,513,425)	\$ (4,132,707)	\$ (4,198,934)
Long-term investments	\$ -	\$ -	\$ 1,796,160	\$ 1,621,463	\$ 48,206	\$ 48,206	\$ -	\$ -	\$ -	\$ -	\$ 1,844,366	\$ 1,669,669

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

### 5. INVESTMENTS (Continued)

Investments held as at April 1, 2011 consist of the following:

	April 1, 2011							
	General Fund		Endowment Fund		Funds for Designated Purposes		Total	
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost
Fixed income and cash	\$ -	\$ -	\$ 552,114	\$ 541,123	\$ 105,440	\$ 105,440	\$ 657,554	\$ 646,563
Life annuity contract (Note 8)	164,402	164,402	-	-	-	-	164,402	164,402
Equities								
Canadian	-	-	608,635	478,972	-	-	608,635	478,972
Foreign	-	-	608,379	549,048	-	-	608,379	549,048
	-	-	1,217,014	1,028,020	-	-	1,217,014	1,028,020
Total investments	164,402	164,402	1,769,128	1,569,143	105,440	105,440	2,038,970	1,838,985
Short-term investments	(164,402)	(164,402)	-	-	-	-	(164,402)	(164,402)
Long-term investments	\$ -	\$ -	\$ 1,769,128	\$ 1,569,143	\$ 105,440	\$ 105,440	\$ 1,874,568	\$ 1,674,583

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

**6. CAPITAL ASSETS**

	<b>March 31, 2013</b>			<b>March 31, 2012</b>	<b>April 1, 2011</b>
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>	<b>Net Book Value</b>	<b>Net Book Value</b>
				<b>(Unaudited) (Note 2)</b>	<b>(Unaudited) (Note 2)</b>
Computer hardware and software	\$ 98,193	\$ 89,918	\$ 8,275	\$ 7,937	\$ 6,528
Office furniture	33,610	33,610	-	6,566	13,288
Donor wall	70,020	64,738	5,282	11,720	21,256
Gift shop improvements	18,353	12,407	5,946	1,014	-
Parking facility license (Note 15)	12,225,175	1,793,000	10,432,175	10,921,175	11,410,175
	<b>\$12,445,351</b>	<b>\$1,993,673</b>	<b>\$10,451,678</b>	<b>\$10,948,412</b>	<b>\$11,451,247</b>

Cost and accumulated amortization at March 31, 2012 amounted to \$12,436,641 and \$1,488,229 respectively. Cost and accumulated amortization at April 1, 2011 amounted to \$12,428,519 and \$977,272 respectively.

**7. GOVERNMENT REMITTANCES**

The new standards require separate disclosure of the amount of government remittances payable. There are no GST/HST remittances payable as at March 31, 2013 (March 31, 2012 - \$NIL; April 1, 2011; \$NIL) as the Foundation is eligible for GST/HST rebates on its purchases in excess of any GST/HST collected.

The Foundation's payroll, including government remittances, are paid directly by the Hospital as the Hospital acts as paymaster for the Foundation. Foundation employer payroll expense remittances are included in the due to the Hospital. Foundation employee payroll remittances are deducted at source from employees by the Hospital and are therefore, not an expense of the Foundation and are not recorded in the due to the Hospital. The amount of Employer and Employee remittances payable is as follows:

	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>April 1, 2011</b>
		<b>(Unaudited) (Note 2)</b>	<b>(Unaudited) (Note2)</b>
Employer payroll remittances payable to Hospital	\$ 4,583	\$ 3,028	\$ 2,733
Employee payroll remittances owing by Hospital to Government on behalf of Foundation	\$ 18,265	\$ 11,444	\$ 10,330

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

---

**8. DEFERRED CONTRIBUTIONS**

The deferred contributions represent the unamortized balance of the donations received for the life annuity contract. The changes in the year are as follows:

	<b>March 31, 2013</b>	March 31, 2012	April 1, 2011
		(Unaudited) (Note 2)	(Unaudited) (Note 2)
Balance, beginning of year	<b>\$ 163,135</b>	\$ 164,402	\$ 165,603
Amortization of donation for life annuity	<b>(1,338)</b>	(1,267)	(1,201)
Balance, end of year	<b>\$ 161,797</b>	\$ 163,135	\$ 164,402

**9. DEBT**

	<b>March 31, 2013</b>	March 31, 2012	April 1, 2011
		(Unaudited) (Note 2)	(Unaudited) (Note 2)
Parking facility demand loan, reaching maturity in September 2022, interest rate of 3.55%, monthly payments made on an escalating schedule including principal and interest (see below)	<b>\$ 9,629,642</b>	\$9,882,893	\$10,127,325

The long-term debt has been classified as short-term because these loans are due on demand.

The Foundation is required to make monthly payments (principal and interest) as follows:

March 2014 to February 2017	<b>\$ 75,000</b>
March 2017 to February 2018	<b>100,000</b>
March 2018 to February 2019	<b>120,000</b>
March 2019 to February 2021	<b>130,000</b>
March 2021 to September 2022	<b>140,000</b>

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

---

**9. DEBT (Continued)**

Principal payments required over the next periods, assuming demand loans are not called, are as follows:

2014	<b>\$ 262,390</b>
2015	<b>576,787</b>
2016	<b>597,600</b>
2017	<b>619,163</b>
2018	<b>946,434</b>
2019 and thereafter	<b><u>6,627,268</u></b>
	<b><u>\$ 9,629,642</u></b>

*Interest rate derivative agreements*

Interest rate swaps are agreements where two counterparties exchange a series of payments based on different interest rates applied to a notional amount in a single currency. Interest rate swaps are used to adjust exposure to interest rate risk by modifying the repricing or maturity characteristics of existing and/or anticipated assets and liabilities.

The Foundation applied hedge accounting to the following transactions:

The Foundation converted \$10,500,000 of floating rate debt of the parking facility bank loan to fixed rate debt of 3.55%. This derivative agreement is effective from July 15, 2009 to September 15, 2022.

*Derivatives - notional amounts*

Notional amounts serve as a point of reference for calculating payments and are a common measure of business volume. The notional amount of the Foundation's derivative transactions as at March 31, 2013 is \$9,629,642 (March 31, 2012 - \$9,882,893; April 1, 2011 - \$10,127,325).

*Fair value*

As at March 31, 2013, the interest rate swaps have unrealized losses, which are not recorded on the Statement of Financial Position, of \$676,397 (2012 - unrealized losses of \$588,820; April 1, 2012 - unrealized gain of \$206,214). The fair value of the loans as at March 31, 2013 was \$10,306,039 (March 31, 2012 - \$10,471,713; April 1, 2011 - \$9,921,111).



**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

---

**10. INTERNALLY RESTRICTED FUND BALANCE**

This fund balance represents amounts restricted by the Foundation from the year's net gift shop revenue for the purpose of supporting the Hospital's relocation of the Gift Shop under the Phase III Redevelopment.

	<b>March 31, 2013</b>	March 31, 2012	April 1, 2011
		(Unaudited) (Note 2)	(Unaudited) (Note 2)
Balance, beginning of year	<b>\$ 116,252</b>	\$ 98,136	\$ 64,839
Internal restriction during the year from gift shop revenue, net	<b>15,900</b>	18,116	33,297
Balance, end of year	<b><u>\$ 132,152</u></b>	<u>\$ 116,252</u>	<u>\$ 98,136</u>

**11. FUNDS FOR DESIGNATED PURPOSES FUND BALANCE**

The balance of Funds for Designated Purposes consists of the following:

	<b>March 31, 2013</b>	March 31, 2012	April 1, 2011
		(Unaudited) (Note 2)	(Unaudited) (Note 2)
Designated donations to be granted to the Hospital	<b>\$ 414,313</b>	\$ 318,448	\$ 235,006
Hand in Hand Campaign donations to be granted to the Hospital	<b>4,809</b>	732,532	605,841
Undistributed endowment net investment income	<b>69,501</b>	56,357	63,147
Lottery and Nevada net proceeds to be granted to the Hospital	<b>9,283</b>	9,016	8,881
	<b><u>\$ 497,906</u></b>	<u>\$ 1,116,353</u>	<u>\$ 912,875</u>

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

**12. INVESTMENT INCOME**

	General Fund	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Better Tools for Better Care Campaign	Parking and Gift Shop Operations Fund	Total	
							2013	2012 (Unaudited) (Note 2)
Realized investment income	\$ 92,398	\$ 1,676	\$ 18,839	\$ 161,878	\$ 175	\$ 96,738	\$ 371,704	\$ 296,939
Change in unrealized gains and (losses)	-	52,520	-	(74,109)	-	(44,466)	(66,055)	(91,515)
	<u>\$ 92,398</u>	<u>\$ 54,196</u>	<u>\$ 18,839</u>	<u>\$ 87,769</u>	<u>\$ 175</u>	<u>\$ 52,272</u>	<u>\$ 305,649</u>	<u>\$ 205,424</u>

**13. NET CHANGES IN FUND BALANCES INVESTED IN CAPITAL ASSETS**

Changes in Fund Balances Invested in Capital Assets during the period are as follows:

	2013		2012	
	General Fund	Parking and Gift Shop Operations Fund	General Fund	Parking and Gift Shop Operations Fund
Purchase of capital assets	\$ 3,310	\$ 5,400	\$ 6,720	\$ 1,402
Principal repayment of long-term debt	-	253,251	-	244,432
Amortization of capital assets	(15,976)	(489,468)	(21,569)	(489,388)
Net changes in fund balances invested in capital assets	<u>\$ (12,666)</u>	<u>\$ (230,817)</u>	<u>\$ (14,849)</u>	<u>\$ (243,554)</u>

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 14. INTERFUND TRANSFERS

During the period, an amount of \$65,113 was transferred from the General Fund to the following funds:

- An amount of \$63,573 was transferred to the Fund for Designated Purposes, which represents the realized net investment income from the unrestricted endowment.
- An amount of \$1,540 was transferred to the Fund for Designated Purposes, which represent donations made in a prior year restricted to the Funds for Designated Purposes.

In addition, an amount of \$740,831 was transferred from the Funds for Designated Purposes to the Care Grows Fund which represents pledges collected from the Hand in Hand Campaign Equipment and Building Fund to support the Hospital's Redevelopment project (Note 3).

### 15. RELATED PARTY TRANSACTIONS

An amount of \$4,091,020 (March 31, 2012 - \$4,493,937, April 1, 2011 - \$1,148,923) was due to the Hospital as at March 31, 2013; this amount is comprised of reimbursement of expenses incurred on the Foundation's behalf and balances due for the grants made to the Hospital. An amount of \$143,474 (March 31, 2012 - \$825,738, April 1, 2011 - \$482,090) was due from the Hospital as at March 31, 2013 for net parking revenues transferred in advance to the Hospital.

During the year ended March 31, 2013, a total of \$7,581,847 (2012 - \$8,690,391) was donated to the Hospital consisting of contributions for capital purposes of \$7,544,360 (2012 - \$8,620,779) and other contributions of \$37,487 (2012 - \$69,612).

Included in salaries and benefits expenses in the Statement of Operations is \$75,000 (2012 - \$70,000) for time spent by Hospital staff working for the Foundation.

In 2009, the Hospital entered into a twenty-year License Agreement with the Foundation whereby the Foundation has the exclusive right to operate the parking facilities in exchange for a one-time upfront license fee in the amount of \$11,927,000 plus applicable taxes, equal to the fair value of the parking facilities at the time of the agreement. The Foundation has no other license fee payments to make to the Hospital as a result of the license agreement.

# QUEENSWAY CARLETON HOSPITAL FOUNDATION

## Notes to the Financial Statements

year ended March 31, 2013

---

### 15. RELATED PARTY TRANSACTIONS (Continued)

In connection with the License Agreement in 2009, the Foundation and the Hospital signed two separate agreements, whereby the Foundation purchases services from the Hospital for maintenance/repair and management of the parking facilities. For the year ended March 31, 2013, the Foundation paid the Hospital \$513,743 (2012 - \$519,971) for maintenance and repairs and \$211,257 (2012 - \$206,438) for management of the parking facilities.

### 16. FINANCIAL INSTRUMENTS

#### *Financial risk*

The financial risk arises from the fluctuations in interest rates and foreign exchange rates, and the degree of volatility of these rates.

#### *Investment risk*

Investment in financial instruments renders the Foundation susceptible to the potential risk arising from the failure of a party to a financial instrument to discharge its obligation when due. The maximum investment risk to the Foundation is equal to the fair value of the investments. Concentrations of investment risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentrations do not represent excessive risk.

The Foundation has investment policies and practices to control the amount of risk to which it is exposed. The investment practices and policies of the Foundation are designed to avoid undue risk of loss or impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments.

#### *Foreign currency risk*

Foreign currency risk arises from the Endowment's investment portfolio holdings of non-Canadian equities. The foreign content of investments total \$641,735 (March 31, 2012 - \$672,485; April 1, 2011 - \$608,379) and is comprised of \$354,856 (March 31, 2012 - \$450,480; April 1, 2011 - \$340,410) in United States-based equities and \$286,879 (March 31, 2012 - \$222,005; April 1, 2011 - \$267,969) in other international-based equities.

**QUEENSWAY CARLETON HOSPITAL FOUNDATION**  
**Notes to the Financial Statements**  
year ended March 31, 2013

---

**16. FINANCIAL INSTRUMENTS (Continued)**

*Concentration risk*

Concentrations of risk exist when a significant proportion of the portfolio is invested in securities with similar characteristics and/or subject to similar economic, political and other conditions that may prevail. Management believes that the concentrations described below do not represent excessive risk.