

Financial Statements of

**QUEENSWAY CARLETON
HOSPITAL FOUNDATION**

Year ended March 31, 2017

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Queensway Carleton Hospital Foundation

We have audited the accompanying financial statements of Queensway Carleton Hospital Foundation, which comprise the statement of financial position as at March 31, 2017, the statements of operations, changes in fund balances, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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



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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Queensway Carleton Hospital Foundation as at March 31, 2017, its results of operations, changes in fund balances, and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Other Matter

The financial statements of Queensway Carleton Hospital Foundation as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on June 28, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

June 27, 2017

Ottawa, Canada

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Financial Position

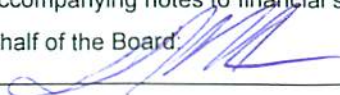
March 31, 2017, with comparative information for 2016

	General fund	Endowment fund	Restricted fund (note 8)	Total 2017	Total 2016
Assets					
Current assets:					
Cash	\$ 942,204	\$ -	\$ 5,999,678	\$ 6,941,882	\$ 6,900,364
Due from (to) funds	38,217	-	(38,217)	-	-
Short-term investments (note 4)	155,664	-	-	155,664	157,323
Accrued interest	-	-	-	-	3,061
Accounts receivable	305	-	832	1,137	-
Prepaid expenses	56,115	-	169	56,284	31,522
Inventory	-	-	45,124	45,124	42,052
	1,192,505	-	6,007,586	7,200,091	7,134,322
Long-term investments (note 4)	-	1,859,644	474,880	2,334,524	2,158,375
Capital assets (note 5)	7,504	-	8,490,819	8,498,323	9,007,145
	\$ 1,200,009	\$ 1,859,644	\$ 14,973,285	\$ 18,032,938	\$ 18,299,842
Liabilities and Net Assets					
Current liabilities:					
Due to the Hospital (note 11)	\$ 170,764	\$ -	\$ 19,857	\$ 190,621	\$ 183,597
Accounts payable and accrued liabilities	55,373	-	8,520	63,893	74,250
Deferred contributions (note 6)	155,664	-	-	155,664	157,323
Debt (note 7)	-	-	7,573,702	7,573,702	8,192,865
	381,801	-	7,602,079	7,983,880	8,608,035
Fund balances:					
Unrestricted	810,704	-	-	810,704	761,099
Endowment	-	1,859,644	-	1,859,644	1,816,542
Restricted (note 8)	-	-	6,454,089	6,454,089	6,299,886
Invested in capital assets	7,504	-	917,117	924,621	814,280
	818,208	1,859,644	7,371,206	10,049,058	9,691,807
	\$ 1,200,009	\$ 1,859,644	\$ 14,973,285	\$ 18,032,938	\$ 18,299,842

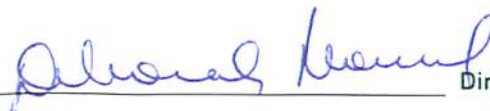
Subsequent event (note 8)

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Operations

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

	General fund		Endowment fund		Restricted fund		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	(note 8)							
Revenue:								
Donations	\$ 1,720,613	\$ 1,395,194	\$ 130,000	\$ –	\$ 3,668,634	\$ 3,337,178	\$ 5,519,247	\$ 4,732,372
Investment income	222,439	165,069	(86,898)	(164,774)	98,297	90,036	233,838	90,331
Parking operations	–	–	–	–	4,811,367	4,763,025	4,811,367	4,763,025
Gift shop	–	–	–	–	303,728	283,386	303,728	283,386
	1,943,052	1,560,263	43,102	(164,774)	8,882,026	8,473,625	10,868,180	9,869,114
Expenses:								
Salaries and benefits (note 11)	1,403,983	1,273,267	–	–	–	–	1,403,983	1,273,267
Fundraising and administrative	790,340	642,755	–	–	–	–	790,340	642,755
Investment fees	15,395	19,337	–	–	1,711	2,160	17,106	21,497
Parking operations	–	–	–	–	1,307,792	1,260,747	1,307,792	1,260,747
Gift shop	–	–	–	–	245,923	235,108	245,923	235,108
Interest on debt	–	–	–	–	278,984	300,635	278,984	300,635
Amortization of capital assets	7,640	7,638	–	–	501,182	501,183	508,822	508,821
	2,217,358	1,942,997	–	–	2,335,592	2,299,833	4,552,950	4,242,830
Excess (deficiency) of revenue over expenses before grants	(274,306)	(382,734)	43,102	(164,774)	6,546,434	6,173,792	6,315,230	5,626,284
Grants (note 11)	–	–	–	–	(5,957,979)	(4,176,750)	(5,957,979)	(4,176,750)
Excess (deficiency) of revenue over expenses	\$ (274,306)	\$ (382,734)	\$ 43,102	\$ (164,774)	\$ 588,455	\$ 1,997,042	\$ 357,251	\$ 1,449,534

See accompanying notes to financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

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

	General fund		Endowment fund	Restricted fund		Total 2017	Total 2016
	Unrestricted	Invested in capital assets		Restricted	Invested in capital assets (note 9)		
Balance, beginning of year	\$ 761,099	\$ 15,143	\$ 1,816,542	\$ 6,299,886	\$ 799,137	\$ 9,691,807	\$ 8,242,273
Excess (deficiency) of revenue over expenses	(274,306)	–	43,102	588,455	–	357,251	1,449,534
Net change in fund balance invested in capital assets (note 9)	7,639	(7,639)	–	(117,980)	117,980	–	–
Interfund transfers (note 10)	316,272	–	–	(316,272)	–	–	–
	\$ 810,704	\$ 7,504	\$ 1,859,644	\$ 6,454,089	\$ 917,117	\$10,049,058	\$ 9,691,807

See accompanying notes to financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

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 revenue over expenses	\$ 357,251	\$ 1,449,534
Items not involving cash:		
Change in unrealized gains and losses on investments	117,254	168,144
Amortization of capital assets	508,822	508,821
Change in non-cash operating working capital:		
Accrued interest	3,061	(411)
Accounts receivable	(1,137)	–
Prepaid expenses	(24,762)	(640)
Inventory	(3,072)	4,894
Due to the Hospital	7,024	(139,097)
Accounts payable and accrued liabilities	(10,357)	22,154
Deferred contributions (note 6)	(1,659)	(1,572)
	952,425	2,011,827
Investing activities:		
Purchase of investments	(356,403)	(143,384)
Sales and maturities of investments	64,659	64,572
	(291,744)	(78,812)
Financing activities:		
Principal repayments of debt	(619,163)	(597,600)
Increase in cash	41,518	1,335,415
Cash, beginning of year	6,900,364	5,564,949
Cash, end of year	\$ 6,941,882	\$ 6,900,364

See accompanying notes to financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2017

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 (Canada) and, as such, is exempt from income taxes and may issue charitable donation receipts.

2. Significant accounting policies:

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

(a) 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, as well as the Funds for Designated Purposes, the Care Grows West Campaign, the Advancing Care for All Ages Campaign, and the Parking and Gift Shop Operations Fund (collectively the Restricted 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 for endowment purposes, which are not available for other purposes without the approval of the Board of Directors.

The Endowment Fund includes:

- 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.
- 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.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

(ii) Endowment Fund (continued):

- The Nurses Endowment Fund established to assist with nursing education, the income from which may be used for this purpose.
- 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.

(iii) Restricted Fund:

The Restricted Fund includes both internally and externally restricted funds. The Restricted Fund includes:

- 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 and undistributed endowment investment income.

- 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 previous 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, which reached substantial completion in September 2013, and for the Hospital's Irving Greenberg Family Cancer Centre for which it is part of the regional cancer program.

- Advancing Care for All Ages Campaign:

The Advancing Care for All Ages Campaign fund includes resources that have been raised under the Foundation's current campaign. The net proceeds of this campaign are to be used for the following investments at Queensway Carleton Hospital to meet growing needs for healthcare in the community:

- The Acute Care of the Elderly Unit (ACE) unit, the first unit of its kind in the region and only the second in Ontario focused on specialized holistic geriatric care.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(a) Fund accounting (continued):

(iii) Restricted Fund (continued):

- Advancing Care for All Ages Campaign (continued):
 - New and replacement state-of-the art equipment to support and optimize QCH Centres of Excellence in patient care; such as: Diagnostic Imaging, Surgery, Medicine and the Birthing Centre. Resulting in lower wait times for much needed diagnoses, and better patient experience and outcomes.
 - Collaborative and hospital wide education and training that fosters best practices in patient and family centered care.
 - Efficiencies and improved outcomes through investment in technology and modernization.

- The Parking and Gift Shop Operations Fund:

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

(b) Revenue recognition:

Donations are recorded as revenue when received.

Revenue from special events is recognized when the event occurs.

Unrestricted contributions are recognized as revenue of the General Fund. Designated donations are recorded as revenue of the Endowment Fund and Restricted Fund 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 and unrealized gains and losses on investments.

Investment income for the General Fund and Restricted 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 within the Restricted Fund via an interfund transfer. Restricted investment income earned on externally restricted endowments is recognized in the Funds for Designated Purposes within the Restricted Fund. Realized gains and losses on externally restricted endowments are recognized in the Statement of Operations of the Endowment Fund.

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

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(c) Fundraising and general support costs:

Fundraising, administrative and general support costs, including salaries and benefits, are presented under the General Fund on the Statement of Operations. Fundraising, salary and benefits expenses directly related to the Advancing Care for All Ages Campaign are funded through an interfund transfer from the Advancing Care for All Ages Campaign fund in the Restricted Fund to the General Fund (note 10). Salary and benefits expenses funded by the Advancing Care for All Ages Campaign are based on an estimate of staff time for those staff members who are dedicated to the fundraising efforts of the Advancing Care for All Ages Campaign.

(d) Investments:

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

(i) 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. An asset and a deferred revenue have been recorded, which approximates the fair value of the annuity.

(ii) Long-term investments:

The long-term investments held by the Foundation consist of investments held for the Endowment Fund and the Funds for Designated Purposes in the Restricted Fund. These investments are recorded at fair value.

(e) Long-term debt:

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

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(f) Derivative financial instruments:

The Foundation uses derivative financial instruments to manage interest rate risk. The only derivative product used is an interest rate swap (see note 7 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 an interest rate swap designated as a cash flow hedge 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.

(g) 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, which approximates fair value.

(h) Inventory:

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

(i) 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:

Asset	Useful life
Computer hardware and software	5 years
Office furniture	5 years
Gift shop improvements	5 years
Parking facility license	25 years

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(j) 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 certain 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.

3. Fund balances:

The Foundation defines its capital as the fund balances of the General Fund, the Endowment Fund, the Restricted Fund (Funds for Designated Purposes, the Care Grows West Campaign, the Advancing Care for All Ages Campaign, and the Parking and Gift Shop Operations Fund) and 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 2. 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.

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 7.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Investments:

Investments held as at March 31, 2017 consist of the following:

March 31, 2017	General fund		Endowment fund		Restricted fund		Total	
	Fair value	Cost	Fair value	Cost	Fair value	Cost	Fair value	Cost
Fixed income mutual fund and cash	\$ -	\$ -	\$ 272,354	\$ 294,725	\$ 474,880	\$ 474,880	\$ 747,234	\$ 769,605
Life annuity contract (note 6)	155,664	155,664	-	-	-	-	155,664	155,664
Equity mutual funds:								
Canadian	-	-	824,265	765,075	-	-	824,265	765,075
Foreign	-	-	763,025	732,318	-	-	763,025	732,318
	-	-	1,587,290	1,497,393	-	-	1,587,290	1,497,393
Total investments	155,664	155,664	1,859,644	1,792,118	474,880	474,880	2,490,188	2,422,662
Short-term investments	(155,664)	(155,664)	-	-	-	-	(155,664)	(155,664)
Long-term investments	\$ -	\$ -	\$ 1,859,644	\$ 1,792,118	\$ 474,880	\$ 474,880	\$ 2,334,524	\$ 2,266,998

During the year, the Foundation changed investment managers for the Endowment investments, and in doing so, sold the individual fixed income and equity securities previously held. As at March 31, 2017, the Foundation's Endowment investments are now held in fixed income mutual funds and equity mutual funds.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

4. Investments (continued):

Investments held as at March 31, 2016 consist of the following:

March 31, 2016	General fund		Endowment fund		Restricted fund		Total	
	Fair value	Cost	Fair value	Cost	Fair value	Cost	Fair value	Cost
Fixed income and cash	\$ –	\$ –	\$ 466,722	\$ 459,524	\$ 341,833	\$ 341,833	\$ 808,555	\$ 801,357
Life annuity contract (note 6)	157,323	157,323	–	–	–	–	157,323	157,323
Equities:								
Canadian	–	–	698,763	630,113	–	–	698,763	630,113
Foreign	–	–	651,057	542,125	–	–	651,057	542,125
	–	–	1,349,820	1,172,238	–	–	1,349,820	1,172,238
Total investments	157,323	157,323	1,816,542	1,631,762	341,833	341,833	2,315,698	2,130,918
Short-term investments	(157,323)	(157,323)	–	–	–	–	(157,323)	(157,323)
Long-term investments	\$ –	\$ –	\$ 1,816,542	\$ 1,631,762	\$ 341,833	\$ 341,833	\$ 2,158,375	\$ 1,973,595

Fixed income is comprised of corporate and government bonds; the effective interest rate varies between 1.25% and 6.50% with maturity dates varying between June 2018 and June 2040.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. Capital assets:

	Cost	Accumulated amortization	2017 Net book value	2016 Net book value
Computer hardware and software	\$ 101,638	\$ 100,726	\$ 912	\$ 3,607
Office furniture	58,328	51,736	6,592	11,536
Gift shop improvements	73,860	59,216	14,644	26,827
Parking facility license (note11)	12,225,175	3,749,000	8,476,175	8,965,175
	\$ 12,459,001	\$ 3,960,678	\$ 8,498,323	\$ 9,007,145

Cost and accumulated amortization as at March 31, 2016 amounted to \$12,459,001 and \$3,451,856, respectively.

6. 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:

	2017	2016
Balance, beginning of year	\$ 157,323	\$ 158,895
Amount recognized during the year	(1,659)	(1,572)
Balance, end of year	\$ 155,664	\$ 157,323

7. Debt:

	2017	2016
Parking facility demand loan, reaching maturity in October 2022, interest rate of 3.55%, monthly payments made on an escalating schedule including principal and interest	\$ 7,573,702	\$ 8,192,865

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

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Debt (continued):

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

March 2017 to February 2018	\$ 100,000
March 2018 to February 2019	120,000
March 2019 to February 2021	130,000
March 2021 to October 2022	140,000

Principal payments required, assuming the demand loan is not called, are as follows:

2018	\$ 946,434
2019	1,224,529
2020	1,390,686
2021	1,440,866
2022 and thereafter	2,571,187

\$ 7,573,702

(a) 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.

(b) 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, 2017 is \$7,573,702 (2016 - \$8,192,865).

(c) Fair value:

As at March 31, 2017, the interest rate swaps have unrealized losses, which are not recorded on the Statement of Financial Position, of \$406,933 (2016 - \$658,785). The fair value of the loans as at March 31, 2017 was \$7,980,635 (2016 - \$8,852,776).

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Restricted fund:

Details on the assets, liabilities, fund balances, revenues and expenses of the individual funds that make up the restricted fund are shown as follows:

	Funds for Designated Purposes	Care Grows West Campaign	Advancing Care for All Ages Campaign	Parking and Gift Shop Operations Fund	2017 Total	2016 Total
Assets						
Current assets:						
Cash	\$ 984,035	\$ 105,599	\$ 2,607,813	\$ 2,302,231	\$ 5,999,678	\$ 5,973,339
Due from (to) funds	(7,491)	—	(30,726)	—	(38,217)	(36,540)
Accrued interest	—	—	—	—	—	3,061
Accounts receivable	—	—	832	—	832	—
Prepaid expenses	—	—	—	169	169	590
Inventory	—	—	—	45,124	45,124	42,052
	976,544	105,599	2,577,919	2,347,524	6,007,586	5,982,502
Long-term investments (note 4)	474,880	—	—	—	474,880	341,833
Capital assets (note 5)	—	—	—	8,490,819	8,490,819	8,992,002
	\$ 1,451,424	\$ 105,599	\$ 2,577,919	\$ 10,838,343	\$ 14,973,285	\$ 15,316,337
Liabilities						
Current liabilities:						
Due to the Hospital	\$ —	\$ —	\$ —	\$ 19,857	\$ 19,857	\$ 15,196
Accounts payable and accrued liabilities	—	—	—	8,520	8,520	9,254
Debt	—	—	—	7,573,702	7,573,702	8,192,864
	—	—	—	7,602,079	7,602,079	8,217,314
Fund balances	1,451,424	105,599	2,577,919	3,236,264	7,371,206	7,099,023
	\$ 1,451,424	\$ 105,599	\$ 2,577,919	\$ 10,838,343	\$ 14,973,285	\$ 15,316,337

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Restricted fund (continued):

	Funds for Designated Purposes	Care Grows West Campaign	Advancing Care for All Ages Campaign	Parking and Gift Shop Operations Fund	2017 Total	2016 Total
Revenue:						
Donations	\$ 345,892	\$ 96,660	\$ 3,226,082	\$ –	\$ 3,668,634	\$ 3,337,178
Investment income	12,119	2,205	42,413	41,560	98,297	90,036
Parking operations	–	–	–	4,811,367	4,811,367	4,763,025
Gift shop	–	–	–	303,728	303,728	283,386
	358,011	98,865	3,268,495	5,156,655	8,882,026	8,473,625
Expenses:						
Investment fees	1,711	–	–	–	1,711	2,160
Parking operations	–	–	–	1,307,792	1,307,792	1,260,747
Gift shop	–	–	–	245,923	245,923	235,108
Interest on long-term debt	–	–	–	278,984	278,984	300,635
Amortization of capital assets	–	–	–	501,182	501,182	501,183
	1,711	–	–	2,333,881	2,335,592	2,299,833
Excess of revenue over expenses before grants	356,300	98,865	3,268,495	2,822,774	6,546,434	6,173,792
Grants (note 11)	(100,964)	(90,840)	(2,766,175)	(3,000,000)	(5,957,979)	(4,176,750)
Excess of revenue over expenses	255,336	8,025	502,320	(177,226)	588,455	1,997,042
Fund balances, beginning of year	1,101,307	97,574	2,486,652	3,413,490	7,099,023	5,473,275
Interfund transfers (note 10)	94,781	–	(411,053)	–	(316,272)	(371,294)
Fund balances, end of year	\$ 1,451,424	\$ 105,599	\$ 2,577,919	\$ 3,236,264	\$ 7,371,206	\$ 7,099,023

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Restricted fund (continued):

(a) Funds for Designated Purposes:

The fund balance as at March 31 consists of the following:

	2017	2016
Designated donations to be granted to the Hospital	\$ 955,184	\$ 735,577
Undistributed endowment net investment income	496,240	365,730
	<u>\$ 1,451,424</u>	<u>\$ 1,101,307</u>

(b) Parking and Gift Shop Operations Fund:

Changes in the fund balance for the year-ended March 31, 2017 consists of the following:

	Operations	Invested in capital assets	Internally restricted	Total
Fund balances, beginning of year	\$ 2,312,874	\$ 799,137	\$ 301,479	\$ 3,413,490
Excess of revenue over expenses	(177,226)	-	-	(177,226)
Net change in fund balance invested in capital assets (note 9)	(117,980)	117,980	-	-
Internally restricted	(61,585)	-	61,585	-
	<u>\$ 1,956,083</u>	<u>\$ 917,117</u>	<u>\$ 363,064</u>	<u>\$ 3,236,264</u>

Internally restricted funds represent amounts restricted by the Foundation from net gift shop revenue, restricted for the purpose of supporting the mandate of the Hospital's Volunteer Services.

Subsequent to the year end, the Volunteer Services gifted \$240,000 of the internally restricted funds to the Queensway Carleton Hospital for the purchase of medical equipment.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

9. Net change in fund balances invested in capital assets:

Changes in fund balances invested in capital assets during the year are as follows:

	2017		2016	
	General Fund	Parking and gift shop operations	General Fund	Parking and gift shop operations
Principal repayment of long-term debt	\$ -	\$ 619,163	\$ -	\$ 597,600
Amortization of capital assets	(7,639)	(501,183)	(7,639)	(501,182)
Net change in fund balances invested in capital assets	\$ (7,639)	\$ 117,980	\$ (7,639)	\$ 96,418

10. Interfund transfers:

During the period, a net amount of \$316,272 (2016 - \$371,294) was transferred between the Restricted Fund and the General Fund, comprised as follows (note 8):

- \$94,781 (2016 - \$32,755) was transferred between the General Fund and the Fund for Designated Purposes, comprised as follows:
 - An amount of \$194,781 (2016 - \$132,901) was transferred from the General Fund to the Fund for Designated Purposes which represents the realized net investment income from the unrestricted endowment.
 - An amount of \$100,000 (2016 - \$100,146) was transferred from the Fund for Designated Purposes to the General Fund which represents direct salaries, benefits and fundraising costs incurred during the period for a designated gift.
- An amount of \$411,053 (2016 - \$404,049) was transferred from the Advancing Care for All Ages Campaign to the General Fund, which represents the direct salaries and benefits and fundraising costs incurred during the period for the Advancing Care for All Ages Campaign (note 2).

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

11. Related party transactions:

An amount of \$190,621 (2016 - \$183,597) was due to the Hospital as at March 31, 2017; this amount is comprised of reimbursement of expenses incurred on the Foundation's behalf and balances due for the grants made to the Hospital.

During the year ended March 31, 2017, a total of \$5,957,979 (2016 - \$4,176,750) was granted to the Hospital consisting of contributions for capital purposes of \$5,231,233 (2016 - \$4,118,824) and other contributions of \$726,746 (2016 - \$57,926).

Included in salaries and benefits expenses in the Statement of operations is \$87,000 (2016 - \$86,000) 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.

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, 2017, the Foundation paid the Hospital \$775,041 (2016 - \$699,000) for maintenance and repairs and \$240,568 (2016 - \$238,000) for management of the parking facilities.

12. Financial instruments:

(a) Financial risk:

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

(b) 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 as disclosed in note 4.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2017

12. Financial instruments (continued):

(c) Foreign currency risk:

Foreign currency risk arises from the Endowment's investment portfolio holdings of non-Canadian equities. The foreign content of investments total \$763,025 (2016 - \$651,057) and is comprised of \$342,791 (2016 - \$321,309) in United States-based equity mutual funds and \$420,234 (2016 - \$329,748) in other international-based equity mutual funds. As described in note 4, the Endowment's investment portfolio no longer holds individual non-Canadian equity securities but rather non-Canadian equity mutual funds to mitigate foreign currency risk.

(d) 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.

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.

There have been no changes to the risk exposures from March 31, 2016.