

Financial Statements of

**QUEENSWAY CARLETON
HOSPITAL FOUNDATION**

Year ended March 31, 2018

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Financial Statements

Year ended March 31, 2018

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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, 2018, 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, 2018, 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada

June 26, 2018

QUEENSWAY CARLETON HOSPITAL FOUNDATION

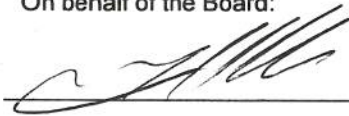
Statement of Financial Position

March 31, 2018, with comparative information for 2017

| | General Fund | Endowment Fund | Restricted Fund (note 8) | Total 2018 | Total 2017 |
|--|-----------------|-------------------|--------------------------------|---------------|---------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash | \$ 2,214,432 | \$ - | \$ 5,901,964 | \$ 8,116,396 | \$ 6,941,882 |
| Due from (to) funds (note 11) | 69,056 | - | (8,594) | 60,462 | - |
| Short-term investments (note 4) | 153,912 | - | - | 153,912 | 155,664 |
| Accounts receivable | - | - | - | - | 1,137 |
| Prepaid expenses | 49,702 | - | - | 49,702 | 56,284 |
| Inventory | - | - | 59,325 | 59,325 | 45,124 |
| | 2,487,102 | - | 5,952,695 | 8,439,797 | 7,200,091 |
| Long-term investments (note 4) | - | 1,922,894 | 417,899 | 2,340,793 | 2,334,524 |
| Capital assets (note 5) | - | - | 7,987,175 | 7,987,175 | 8,498,323 |
| | \$ 2,487,102 | \$ 1,922,894 | \$ 14,357,769 | \$ 18,767,765 | \$ 18,032,938 |
| Liabilities and Net Assets | | | | | |
| Current liabilities: | | | | | |
| Due to the Hospital (note 11) | \$ 158,074 | \$ - | \$ 37,737 | \$ 195,811 | \$ 190,621 |
| Accounts payable and accrued liabilities | 93,479 | - | 6,787 | 100,266 | 63,893 |
| Deferred contributions (note 6) | 153,912 | - | - | 153,912 | 155,664 |
| Debt (note 7) | - | - | 6,627,268 | 6,627,268 | 7,573,702 |
| | 405,465 | - | 6,671,792 | 7,077,257 | 7,983,880 |
| Fund balances: | | | | | |
| Unrestricted | 2,081,637 | - | - | 2,081,637 | 810,704 |
| Endowment | - | 1,922,894 | - | 1,922,894 | 1,859,644 |
| Restricted (note 8) | - | - | 6,326,070 | 6,326,070 | 6,454,089 |
| Invested in capital assets | - | - | 1,359,907 | 1,359,907 | 924,621 |
| | 2,081,637 | 1,922,894 | 7,685,977 | 11,690,508 | 10,049,058 |
| | \$ 2,487,102 | \$ 1,922,894 | \$ 14,357,769 | \$ 18,767,765 | \$ 18,032,938 |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

| | General Fund | | Endowment Fund | | Restricted Fund | | Total | |
|--|--------------|--------------|----------------|------------|-----------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| | (note 8) | | | | | | | |
| Revenue: | | | | | | | | |
| Donations | \$ 2,592,952 | \$ 1,720,613 | \$ – | \$ 130,000 | \$ 2,714,000 | \$ 3,668,634 | \$ 5,306,952 | \$ 5,519,247 |
| Investment income | 39,123 | 222,439 | 63,250 | (86,898) | 112,942 | 98,297 | 215,315 | 233,838 |
| Parking operations | – | – | – | – | 4,890,054 | 4,811,367 | 4,890,054 | 4,811,367 |
| Gift shop | – | – | – | – | 324,477 | 303,728 | 324,477 | 303,728 |
| | 2,632,075 | 1,943,052 | 63,250 | 43,102 | 8,041,473 | 8,882,026 | 10,736,798 | 10,868,180 |
| Expenses: | | | | | | | | |
| Salaries and benefits (note 11) | 1,360,200 | 1,403,983 | – | – | – | – | 1,360,200 | 1,403,983 |
| Fundraising and administrative | 572,188 | 790,340 | – | – | – | – | 572,188 | 790,340 |
| Investment fees | 12,230 | 15,395 | – | – | 2,685 | 1,711 | 14,915 | 17,106 |
| Parking operations | – | – | – | – | 1,188,543 | 1,307,792 | 1,188,543 | 1,307,792 |
| Gift shop | – | – | – | – | 268,564 | 245,923 | 268,564 | 245,923 |
| Interest on debt | – | – | – | – | 250,715 | 278,984 | 250,715 | 278,984 |
| Amortization of capital assets | 7,504 | 7,640 | – | – | 503,644 | 501,182 | 511,148 | 508,822 |
| | 1,952,122 | 2,217,358 | – | – | 2,214,151 | 2,335,592 | 4,166,273 | 4,552,950 |
| Excess (deficiency) of revenue over expenses before grants | 679,953 | (274,306) | 63,250 | 43,102 | 5,827,322 | 6,546,434 | 6,570,525 | 6,315,230 |
| Grants (note 11) | – | – | – | – | (4,929,075) | (5,957,979) | (4,929,075) | (5,957,979) |
| Excess (deficiency) of revenue over expenses | \$ 679,953 | \$ (274,306) | \$ 63,250 | \$ 43,102 | \$ 898,247 | \$ 588,455 | \$ 1,641,450 | \$ 357,251 |

See accompanying notes to financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

| | General Fund | | Endowment Fund | Restricted Fund | | Total 2018 | Total 2017 |
|---|--------------|-------------------------------|----------------|-----------------|---|---------------|---------------|
| | Unrestricted | Invested in capital assets | | Restricted | Invested in capital assets (note 9) | | |
| Balance, beginning of year | \$ 810,704 | \$ 7,504 | \$ 1,859,644 | \$ 6,454,089 | \$ 917,117 | \$ 10,049,058 | \$ 9,691,807 |
| Excess (deficiency) of revenue over expenses | 679,953 | – | 63,250 | 898,247 | – | 1,641,450 | 357,251 |
| Net change in fund balance invested in capital assets (note 9) | 7,504 | (7,504) | – | (442,790) | 442,790 | – | – |
| Interfund transfers (note 10) | 583,476 | – | – | (583,476) | – | – | – |
| | \$ 2,081,637 | \$ – | \$ 1,922,894 | \$ 6,326,070 | \$ 1,359,907 | \$ 11,690,508 | \$ 10,049,058 |

See accompanying notes to financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

| | 2018 | 2017 |
|--|--------------|--------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess of revenue over expenses | \$ 1,641,450 | \$ 357,251 |
| Items not involving cash: | | |
| Change in unrealized gains and losses on investments | (62,760) | 117,254 |
| Amortization of capital assets | 511,148 | 508,822 |
| Change in non-cash operating working capital: | | |
| Accrued interest | – | 3,061 |
| Accounts receivable | 1,137 | (1,137) |
| Prepaid expenses | 6,582 | (24,762) |
| Inventory | (14,201) | (3,072) |
| Due to the Hospital | (55,272) | 7,024 |
| Accounts payable and accrued liabilities | 36,373 | (10,357) |
| Deferred contributions (note 6) | (1,752) | (1,659) |
| | 2,062,705 | 952,425 |
| Investing activities: | | |
| Purchase of investments | (6,509) | (356,403) |
| Sales and maturities of investments | 64,752 | 64,659 |
| | 58,243 | (291,744) |
| Financing activities: | | |
| Principal repayments of debt | (946,434) | (619,163) |
| Increase in cash | 1,174,514 | 41,518 |
| Cash, beginning of year | 6,941,882 | 6,900,364 |
| Cash, end of year | \$ 8,116,396 | \$ 6,941,882 |

See accompanying notes to financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended March 31, 2018

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 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, 2018

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.
- The Hon. Dick and Dr. Ruth Bell Endowment Fund established to generate income of which 25% of earnings is to provide an annual scholarship to support Hospital female staff pursuing leadership education opportunities and the remaining earnings to be used to enhance patient care in areas identified as clinical priorities by the Hospital.

(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.

Effective April 1, 2017, the Funds for Designated Purposes also includes the balance of the collection of pledges raised under the Care Grows West Campaign. The Care Grows West Campaign concluded active fundraising activities on March 31, 2012. The net proceeds of this are for the purchase of Hospital equipment and the Hospital Redevelopment Projects.

- 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, 2018

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, 2018

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, 2018

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, 2018

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 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, 2018

4. Investments:

Investments held as at March 31, 2018 consist of the following:

| March 31, 2018 | 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 | \$ – | \$ – | \$ 309,346 | \$ 311,612 | \$ 417,899 | \$ 417,899 | \$ 727,245 | \$ 729,511 |
| Life annuity contract (note 6) | 153,912 | 153,912 | – | – | – | – | 153,912 | 153,912 |
| Equity mutual funds: | | | | | | | | |
| Canadian | – | – | 794,577 | 748,588 | – | – | 794,577 | 748,588 |
| Foreign | – | – | 818,971 | 732,408 | – | – | 818,971 | 732,408 |
| | – | – | 1,613,548 | 1,480,996 | – | – | 1,613,548 | 1,480,996 |
| Total investments | 153,912 | 153,912 | 1,922,894 | 1,792,608 | 417,899 | 417,899 | 2,494,705 | 2,364,419 |
| Short-term investments | (153,912) | (153,912) | – | – | – | – | (153,912) | (153,912) |
| Long-term investments | \$ – | \$ – | \$ 1,922,894 | \$ 1,792,608 | \$ 417,899 | \$ 417,899 | \$ 2,340,793 | \$ 2,210,507 |

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

4. Investments (continued):

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 |

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

5. Capital assets:

| | Cost | Accumulated amortization | 2018 Net book value | 2017 Net book value |
|--------------------------------------|----------------------|-----------------------------|---------------------------|---------------------------|
| Computer hardware and software | \$ 101,638 | \$ 101,638 | \$ – | \$ 912 |
| Office furniture | 58,328 | 58,328 | – | 6,592 |
| Gift shop improvements | 73,860 | 73,860 | – | 14,644 |
| Parking facility license (note11) | 12,225,175 | 4,238,000 | 7,987,175 | 8,476,175 |
| | \$ 12,459,001 | \$ 4,471,826 | \$ 7,987,175 | \$ 8,498,323 |

Cost and accumulated amortization as at March 31, 2017 amounted to \$12,459,001 and \$3,960,678, 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:

| | 2018 | 2017 |
|-----------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 155,664 | \$ 157,323 |
| Amount recognized during the year | (1,752) | (1,659) |
| Balance, end of year | \$ 153,912 | \$ 155,664 |

7. Debt:

| | 2018 | 2017 |
|--|--------------|--------------|
| 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 | \$ 6,627,268 | \$ 7,573,702 |

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, 2018

7. Debt (continued):

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

| | |
|-----------------------------|------------|
| 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:

| | |
|---------------------|--------------|
| 2019 | \$ 1,224,529 |
| 2020 | 1,390,686 |
| 2021 | 1,440,866 |
| 2022 | 1,614,829 |
| 2023 and thereafter | 956,358 |

| | |
|--|--------------|
| | \$ 6,627,268 |
|--|--------------|

(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 October 3, 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, 2018 is \$6,627,268 (2017 - \$7,573,702).

(c) Fair value:

As at March 31, 2018, the interest rate swaps have unrealized losses, which are not recorded on the Statement of Financial Position, of \$134,174 (2017 - \$406,933). The fair value of the loans as at March 31, 2018 was \$6,761,442 (2017 - \$7,980,635).

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 | Advancing Care for All Ages Campaign | Parking and Gift Shop Operations Fund | 2018 Total | 2017 Total |
|--|-------------------------------------|--|---|---------------|---------------|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash | \$ 681,130 | \$ 2,612,170 | \$ 2,608,664 | \$ 5,901,964 | \$ 5,999,678 |
| Due from (to) funds | (91) | (68,965) | 60,462 | (8,594) | (38,217) |
| Accounts receivable | — | — | — | — | 832 |
| Prepaid expenses | — | — | — | — | 169 |
| Inventory | — | — | 59,325 | 59,325 | 45,124 |
| | 681,039 | 2,543,205 | 2,728,451 | 5,952,695 | 6,007,586 |
| Long-term investments (note 4) | 417,899 | — | — | 417,899 | 474,880 |
| Capital assets (note 5) | — | — | 7,987,175 | 7,987,175 | 8,490,819 |
| | \$ 1,098,938 | \$ 2,543,205 | \$ 10,715,626 | \$ 14,357,769 | \$ 14,973,285 |
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Due to the Hospital | \$ 1,955 | \$ — | \$ 35,782 | \$ 37,737 | \$ 19,857 |
| Accounts payable and accrued liabilities | — | — | 6,787 | 6,787 | 8,520 |
| Debt | — | — | 6,627,268 | 6,627,268 | 7,573,702 |
| | 1,955 | — | 6,669,837 | 6,671,792 | 7,602,079 |
| Fund balances | 1,096,983 | 2,543,205 | 4,045,789 | 7,685,977 | 7,371,206 |
| | \$ 1,098,938 | \$ 2,543,205 | \$ 10,715,626 | \$ 14,357,769 | \$ 14,973,285 |

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Restricted fund (continued):

| | Funds for Designated Purposes | Advancing Care for All Ages Campaign | Parking and Gift Shop Operations Fund | 2018 Total | 2017 Total |
|---|-------------------------------------|--|---|---------------|---------------|
| Revenue: | | | | | |
| Donations | \$ 49,287 | \$ 2,664,713 | \$ – | \$ 2,714,000 | \$ 3,668,634 |
| Investment income | 18,835 | 47,647 | 46,460 | 112,942 | 98,297 |
| Parking operations | – | – | 4,890,054 | 4,890,054 | 4,811,367 |
| Gift shop | – | – | 324,477 | 324,477 | 303,728 |
| | 68,122 | 2,712,360 | 5,260,991 | 8,041,473 | 8,882,026 |
| Expenses: | | | | | |
| Investment fees | 2,685 | – | – | 2,685 | 1,711 |
| Parking operations | – | – | 1,188,543 | 1,188,543 | 1,307,792 |
| Gift shop | – | – | 268,564 | 268,564 | 245,923 |
| Interest on long-term debt | – | – | 250,715 | 250,715 | 278,984 |
| Amortization of capital assets | – | – | 503,644 | 503,644 | 501,182 |
| | 2,685 | – | 2,211,466 | 2,214,151 | 2,335,592 |
| Excess of revenue over expenses before grants | 65,437 | 2,712,360 | 3,049,525 | 5,827,322 | 6,546,434 |
| Grants (note 11) | (529,075) | (2,160,000) | (2,240,000) | (4,929,075) | (5,957,979) |
| Excess of revenue over expenses | (463,638) | 552,360 | 809,525 | 898,247 | 588,455 |
| Fund balances, beginning of year | 1,557,023 | 2,577,919 | 3,236,264 | 7,371,206 | 7,099,023 |
| Interfund transfers (note 10) | 3,598 | (587,074) | – | (583,476) | (316,272) |
| Fund balances, end of year | \$ 1,096,983 | \$ 2,543,205 | \$ 4,045,789 | \$ 7,685,977 | \$ 7,371,206 |

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

8. Restricted fund (continued):

(a) Funds for Designated Purposes:

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

| | 2018 | 2017 |
|--|---------------------|---------------------|
| Designated donations to be granted to the Hospital | \$ 646,359 | \$ 955,184 |
| Undistributed endowment net investment income | 440,624 | 496,240 |
| | \$ 1,096,983 | \$ 1,451,424 |

(b) Parking and Gift Shop Operations Fund:

Changes in the fund balance for the year-ended March 31, 2018 consists of the following:

| | Operations | Invested in capital assets | Internally restricted | Total |
|--|---------------------|-------------------------------|--------------------------|---------------------|
| Fund balances, beginning of year | \$ 1,956,083 | \$ 917,117 | \$ 363,064 | \$ 3,236,264 |
| Excess of revenue over expenses | 809,525 | - | - | 809,525 |
| Net change in fund balance invested in capital assets (note 9) | (442,790) | 442,790 | - | - |
| Internally restricted | 178,484 | - | (178,484) | - |
| Fund balances, end of year | \$ 2,501,302 | \$ 1,359,907 | \$ 184,580 | \$ 4,045,789 |

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.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2018

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

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

| | 2018 | | 2017 | |
|--|--------------|--|--------------|--|
| | General Fund | Parking and gift shop operations | General Fund | Parking and gift shop operations |
| Principal repayment of long-term debt | \$ - | \$ 946,434 | \$ - | \$ 619,163 |
| Amortization of capital assets | (7,504) | (503,644) | (7,639) | (501,183) |
| Net change in fund balances invested in capital assets | \$ (7,504) | \$ 442,790 | \$ (7,639) | \$ 117,980 |

10. Interfund transfers:

During the period, a net amount of \$583,476 (2017 - \$316,272) was transferred between the Restricted Fund and the General Fund, comprised as follows (note 8):

- An amount of \$3,598 (2017 - \$94,781) was transferred between the General Fund and the Fund for Designated Purposes, comprised as follows:
 - An amount of \$6,354 (2017 - \$194,781) 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 \$2,756 (2017 - \$100,000) 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 \$587,074 (2017 - \$411,053) 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, 2018

11. Related party transactions:

A net amount of \$135,349 (2017 - \$190,621) was due to the Hospital as at March 31, 2018; 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, 2018, a total of \$4,929,075 (2017 - \$5,957,979) was granted to the Hospital consisting of contributions for capital purposes of \$4,833,971 (2017 - \$5,231,233) and other contributions of \$95,104 (2017 - \$726,746).

Included in salaries and benefits expenses in the Statement of operations is \$88,000 (2017 - \$87,000) 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, 2018, the Foundation paid the Hospital \$699,480 (2017 - \$775,041) for maintenance and repairs and \$244,503 (2017 - \$240,568) 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, 2018

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 \$818,971 (2017 - \$763,025) and is comprised of \$369,219 (2017 - \$342,791) in United States-based equity mutual funds and \$449,752 (2017 - \$420,234) 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, 2017.