

Financial statements of

**Queensway Carleton
Hospital Foundation**

March 31, 2014

Queensway Carleton Hospital Foundation

March 31, 2014

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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, 2014, 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.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2014, 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants


June 5, 2014

Queensway Carleton Hospital Foundation

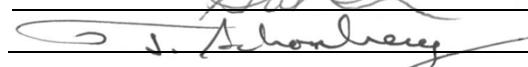
Statement of financial position
as at March 31, 2014

	General Fund	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Advancing Care for All Ages Campaign	Parking and Gift Shop Operations Fund	Total	2013
	\$	\$	\$	\$	\$	\$	2014	\$
Assets								
Current assets								
Cash	541,915	-	455,562	585,822	873,484	2,933,224	5,390,007	6,795,642
Due from (to) Funds	406,085	-	-	-	(406,085)	-	-	-
Investments (Note 4)	160,385	-	-	-	-	-	160,385	4,209,916
Accrued interest	-	-	3,205	-	-	-	3,205	76,941
Amounts receivable	6,060	-	-	-	-	149,233	155,293	14,762
Prepaid expenses	31,264	-	-	-	-	1,787	33,051	17,949
Inventory	-	-	-	-	-	54,831	54,831	39,915
Due from the Hospital (Note 13)	-	-	-	-	1,029	-	1,029	143,474
	1,145,709	-	458,767	585,822	468,428	3,139,075	5,797,801	11,298,599
Investments (Note 4)	-	1,876,486	208,442	-	-	-	2,084,928	1,910,507
Capital assets (Note 5)	31,478	-	-	-	-	9,983,585	10,015,063	10,451,678
	1,177,187	1,876,486	667,209	585,822	468,428	13,122,660	17,897,792	23,660,784
Liabilities								
Current liabilities								
Due to the Hospital (Note 13)	570,293	-	3,339	-	-	90,368	664,000	4,091,020
Accounts payable and accrued liabilities	54,083	-	-	-	-	560	54,643	68,264
Deferred contributions (Note 7)	160,385	-	-	-	-	-	160,385	161,797
Debt (Note 8)	-	-	-	-	-	9,367,252	9,367,252	9,629,642
	784,761	-	3,339	-	-	9,458,180	10,246,280	13,950,723
Fund balances								
Unrestricted	360,949	-	-	-	-	-	360,949	240,862
Parking and Gift Shop Operations Fund	-	-	-	-	-	2,943,926	2,943,926	3,352,526
Invested in capital assets	31,477	-	-	-	-	616,334	647,811	822,036
Internally restricted (Note 9)	-	-	-	-	-	104,220	104,220	132,152
Restricted								
Endowment Fund	-	1,876,486	-	-	-	-	1,876,486	1,850,356
Funds for Designated Purposes (Note 10)	-	-	663,870	-	-	-	663,870	497,906
Care Grows West Campaign	-	-	-	585,822	-	-	585,822	2,736,666
Advancing Care for All Ages Campaign	-	-	-	-	468,428	-	468,428	77,557
	392,426	1,876,486	663,870	585,822	468,428	3,664,480	7,651,512	9,710,061
	1,177,187	1,876,486	667,209	585,822	468,428	13,122,660	17,897,792	23,660,784

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Queensway Carleton Hospital Foundation

Statement of operations
year ended March 31, 2014

	General Fund	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Advancing Care for All Ages Campaign	Parking and Gift Shop Operations Fund	Total	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Donations	1,411,151	-	137,970	908,469	927,060	-	3,384,650	3,931,476
Investment income	228,375	26,130	12,387	40,687	5,429	46,559	359,567	305,649
Parking operations	-	-	-	-	-	4,382,097	4,382,097	4,219,769
Gift Shop	-	-	-	-	-	235,212	235,212	187,827
Total revenue	1,639,526	26,130	150,357	949,156	932,489	4,663,868	8,361,526	8,644,721
Expenses								
Salaries and benefits (Note 13)	1,135,622	-	-	-	-	-	1,135,622	988,459
Fundraising and administrative	543,787	-	-	-	-	-	543,787	547,606
Investment fees	17,874	-	1,907	-	-	-	19,781	18,662
Parking operations	-	-	-	-	-	1,150,238	1,150,238	1,006,269
Gift Shop	-	-	-	-	-	206,027	206,027	174,859
Interest on long-term debt	-	-	-	-	-	336,928	336,928	345,942
Amortization of capital assets	10,243	-	-	-	-	499,352	509,595	505,444
	1,707,526	-	1,907	-	-	2,192,545	3,901,978	3,587,241
(Deficiency) excess of revenue over expenses before grants	(68,000)	26,130	148,450	949,156	932,489	2,471,323	4,459,548	5,057,480
Grants (Note 13)	-	-	(182,564)	(3,100,000)	(135,533)	(3,100,000)	(6,518,097)	(7,581,847)
(Deficiency) excess of revenue over expenses	(68,000)	26,130	(34,114)	(2,150,844)	796,956	(628,677)	(2,058,549)	(2,524,367)

See accompanying notes to the financial statements.

Queensway Carleton Hospital Foundation

Statement of changes in fund balances
year ended March 31, 2014

	General Fund			Funds for Designated Purposes	Care Grows West Campaign	Advancing Care For All Ages Campaign	Parking and Gift Shop Operations Fund			Total	
	Unrestricted	Invested in capital assets	Endowment Fund				Operations	Invested in capital assets	Internally restricted	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, beginning of year	240,862	13,557	1,850,356	497,906	2,736,666	77,557	3,352,526	808,479	132,152	9,710,061	12,234,428
Excess (deficiency) of revenue over expenses	(68,000)	-	26,130	(34,114)	(2,150,844)	796,956	(628,677)	-	-	(2,058,549)	(2,524,367)
Net changes in fund balance invested in capital assets (Note 11)	(17,920)	17,920	-	-	-	-	192,145	(192,145)	-	-	-
Interfund transfers (Note 12)	206,007	-	-	200,078	-	(406,085)	-	-	-	-	-
Internally restricted (Note 9)	-	-	-	-	-	-	27,932	-	(27,932)	-	-
Balance, end of year	360,949	31,477	1,876,486	663,870	585,822	468,428	2,943,926	616,334	104,220	7,651,512	9,710,061

See accompanying notes to the financial statements.

Queensway Carleton Hospital Foundation

Statement of cash flows year ended March 31, 2014

	2014	2013
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(2,058,549)	(2,524,367)
Items not affecting cash		
Change in unrealized gains and losses on investments	(209,830)	66,055
Amortization of capital assets - General Fund	10,243	15,976
Amortization of capital assets - Parking and Gift Shop Operations	499,352	489,468
	(1,758,784)	(1,952,868)
Changes in non-cash operating working capital items:		
Accrued interest	73,736	588
Amounts receivable	(140,531)	(1,190)
Prepaid expenses	(15,102)	(7,804)
Inventory	(14,916)	138
Due to/from the Hospital	(3,284,575)	279,347
Accounts payable and accrued liabilities	(13,621)	5,003
Deferred contributions (Note 7)	(1,412)	(1,338)
	(5,155,205)	(1,678,124)
Investing activities		
Purchase of investments	(206,393)	(264,743)
Sales and maturities of investments	4,291,333	55,338
Purchase of capital assets	(72,980)	(8,710)
	4,011,960	(218,115)
Financing activities		
Principal repayments of long-term debt	(262,390)	(253,251)
Net cash outflow	(1,405,635)	(2,149,490)
Cash, beginning of year	6,795,642	8,945,132
Cash, end of year	5,390,007	6,795,642

See accompanying notes to the financial statements.

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

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. 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.

(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.

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Fund accounting (continued)

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

(v) Advancing Care for All Ages Campaign

The Advancing Care for All Ages Campaign fund includes resources that have been raised under the Foundation's newest 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 our community:

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

(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.

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 Advancing Care for All Ages 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 Advancing Care for All Ages 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.

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

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

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 expenditures that can reasonably be determined to be 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 to the General Fund (Note 12). Salary and benefits expenditures 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.

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.

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. 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 value of the debt is 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 product used is an interest rate swap (see Note 8 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.

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.

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

2. Significant accounting policies (continued)

Inventory

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

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

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.

3. 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 Advancing Care for All Ages 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 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 8.

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

4. Investments

Investments held as at March 31, 2014 consist of the following:

	2014							
	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	-	-	471,070	477,967	208,442	208,442	679,512	686,409
Life annuity contract (Note 7)	160,385	160,385	-	-	-	-	160,385	160,385
Equities								
Canadian	-	-	675,703	556,408	-	-	675,703	556,408
Foreign	-	-	729,713	589,866	-	-	729,713	589,866
	-	-	1,405,416	1,146,274	-	-	1,405,416	1,146,274
Total investments	160,385	160,385	1,876,486	1,624,241	208,442	208,442	2,245,313	1,993,068
Short-term investments	(160,385)	(160,385)	-	-	-	-	(160,385)	(160,385)
Long-term investments	-	-	1,876,486	1,624,241	208,442	208,442	2,084,928	1,832,683

Fixed income is comprised of corporate and government bonds; the effective interest rate varies between 1.75% and 6.5% (2013 - 2.7% and 6.5%) with maturity dates varying between December 2014 and June 2029 (2013 - December 2013 and June 2029).

Queensway Carleton Hospital Foundation

Notes to the financial statements
March 31, 2014

4. Investments (continued)

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

	2013											
	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	-	-	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 7)	161,797	161,797	-	-	-	-	-	-	-	-	161,797	161,797
Equities												
Canadian	-	-	634,153	557,138	-	-	-	-	-	-	634,153	557,138
Foreign	-	-	641,735	508,597	-	-	-	-	-	-	641,735	508,597
	-	-	1,275,888	1,065,735	-	-	-	-	-	-	1,275,888	1,065,735
Total investments	161,797	161,797	1,850,356	1,623,139	60,151	60,151	2,530,074	2,645,576	1,518,045	1,587,345	6,120,423	6,078,008
Short-term investments	(161,797)	(161,797)	-	-	-	-	(2,530,074)	(2,645,576)	(1,518,045)	(1,587,345)	(4,209,916)	(4,394,718)
Long-term investments	-	-	1,850,356	1,623,139	60,151	60,151	-	-	-	-	1,910,507	1,683,290

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

5. Capital assets

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
	\$	\$	\$	\$
Computer hardware and software	101,639	92,641	8,998	8,275
Office furniture	58,328	36,904	21,424	-
Donor wall	70,020	68,964	1,056	5,282
Gift shop improvements	63,169	22,759	40,410	5,946
Parking facility license (Note 13)	12,225,175	2,282,000	9,943,175	10,432,175
	12,518,331	2,503,268	10,015,063	10,451,678

Cost and accumulated amortization at March 31, 2013 amounted to \$12,445,351 and \$1,993,673 respectively.

6. Government remittances

There are no GST/HST remittances payable as at March 31, 2014 (2013 - \$NIL) as the Foundation is eligible for GST/HST rebates on its purchases in excess of any GST/HST collected.

The Foundation's payroll remittances, 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 not an expense of the Foundation and are, therefore, not recorded in the due to the Hospital. The amount of Employer and Employee remittances payable is as follows:

	2014	2013
	\$	\$
Employer payroll remittances payable to Hospital	4,141	4,583
Employee payroll remittances owing by Hospital to Government on behalf of Foundation	8,929	18,265

7. 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:

	2014	2013
	\$	\$
Balance, beginning of year	161,797	163,135
Amortization of donations for life annuity	(1,412)	(1,338)
Balance, end of year	160,385	161,797

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

8. Debt

	2014	2013
	\$	\$
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)	9,367,252	9,629,642

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	75,000
March 2017 to February 2018	100,000
March 2018 to February 2019	120,000
March 2019 to February 2021	130,000
March 2021 to September 2022	140,000

Principal payments required, assuming demand loans are not called, are as follows:

	\$
2015	576,787
2016	597,600
2017	619,163
2018	946,434
2019	1,224,529
2020 and thereafter	5,402,739
	9,367,252

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, 2014 is \$9,367,252 (2013 - \$9,629,642).

Fair value

As at March 31, 2014, the interest rate swaps have unrealized losses, which are not recorded on the Statement of Financial Position, of \$419,554 (2013 - \$676,397). The fair value of the loans as at March 31, 2014 was \$9,786,806 (2013 - \$10,306,039).

Queensway Carleton Hospital Foundation

Notes to the financial statements

March 31, 2014

9. 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.

	2014	2013
	\$	\$
Balance, beginning of year	132,152	116,252
Internal restriction during the year from gift shop revenue, net	22,284	15,900
Return to unrestricted for purchase of equipment and fixtures	(50,216)	
Balance, end of year	104,220	132,152

10. Funds for designated purposes fund balance

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

	2014	2013
	\$	\$
Designated donations to be granted to the Hospital	439,539	414,313
Hand in Hand Campaign donations to be granted to the Hospital	6,869	4,809
Undistributed endowment net investment income	217,387	69,501
Lottery and Nevada net proceeds to be granted to the Hospital	75	9,283
	663,870	497,906

11. Net changes in fund balances invested in capital assets

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

	2014		2013	
	General Fund	Parking and Gift Shop Operations Fund	General Fund	Parking and Gift Shop Operations Fund
	\$	\$	\$	\$
Purchase of capital assets	28,163	44,817	3,310	5,400
Principal repayment of long-term debt	-	262,390	-	253,251
Amortization of capital assets	(10,243)	(499,352)	(15,976)	(489,468)
Net changes in fund balances invested in capital assets	17,920	(192,145)	(12,666)	(230,817)

Queensway Carleton Hospital Foundation

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12. Interfund transfers

During the period, interfund transfers were made as follows:

- An amount of \$200,078 (2013 - 63,573) 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 \$406,085 (2013 - \$NIL) 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).

13. Related party transactions

An amount of \$664,000 (2013 - \$4,091,020) was due to the Hospital as at March 31, 2014; 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 \$1,029 (2013 - \$143,474) was due from the Hospital as at March 31, 2014 for a grant from the Advancing Care for All Ages Campaign (2013- net parking revenues) transferred in advance to the Hospital.

During the year ended March 31, 2014, a total of \$6,518,097 (2013 - \$7,581,847) was donated to the Hospital consisting of contributions for capital purposes of \$6,454,405 (2013 - \$7,544,360) and other contributions of \$63,692 (2013 - \$37,487).

Included in salaries and benefits expenses in the Statement of Operations is \$80,000 (2013 - \$75,000) 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, 2014, the Foundation paid the Hospital \$219,105 (2013 - \$211,257) for maintenance and repairs and \$631,790 (2013 - \$513,743) for management of the parking facilities.

14. 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 as disclosed in Note 4. 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.

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14. Financial instruments (continued)

Foreign currency risk

Foreign currency risk arises from the Endowment's investment portfolio holdings of non-Canadian equities. The foreign content of investments total \$729,713 (2013 - \$641,735) and is comprised of \$400,944 (2013 - \$354,856) in United States-based equities and \$328,769 (2013 - \$286,879) in other international-based equities.

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.