

Financial Statements of

**QUEENSWAY CARLETON
HOSPITAL FOUNDATION**

March 31, 2012

Independent Auditor's Report

To the Members of the
Queensway Carleton Hospital Foundation

We have audited the accompanying financial statements of the Queensway Carleton Hospital Foundation, which comprise the statement of financial position as at March 31, 2012 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 generally accepted accounting principles, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (Continued)

Auditor's Responsibility (Continued)

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Queensway Carleton Hospital Foundation as at March 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants

June 7, 2012

QUEENSWAY CARLETON HOSPITAL FOUNDATION
Financial Statements
March 31, 2012

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QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Financial Position

as at March 31, 2012

	General Fund	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Parking and Gift Shop Operations Fund	Total	
						2012	2011
CURRENT ASSETS							
Cash	\$ 738,263	\$ -	\$ 1,069,025	\$ 6,320,893	\$ 816,951	\$ 8,945,132	\$ 7,552,662
Investments (Note 4)	163,135	-	-	2,480,982	1,488,590	4,132,707	164,402
Accrued interest	-	-	6,533	44,372	26,624	77,529	5,976
Amounts receivable	13,572	-	-	-	-	13,572	16,062
Prepaid expenses	10,145	-	-	-	-	10,145	10,920
Inventory	-	-	-	-	40,053	40,053	50,487
Due from the Hospital (Note 13)	-	-	-	-	825,738	825,738	482,090
	925,115	-	1,075,558	8,846,247	3,197,956	14,044,876	8,282,599
INVESTMENTS (Note 4)	-	1,796,160	48,206	-	-	1,844,366	1,874,568
CAPITAL ASSETS (Note 5)	26,223	-	-	-	10,922,189	10,948,412	11,451,247
	\$ 951,338	\$ 1,796,160	\$ 1,123,764	\$ 8,846,247	\$ 14,120,145	\$ 26,837,654	\$ 21,608,414
CURRENT LIABILITIES							
Due to the Hospital (Note 13)	\$ 449,100	\$ -	\$ 7,411	\$ 4,000,000	\$ 37,426	4,493,937	\$ 1,148,923
Accounts payable and accrued liabilities	63,261	-	-	-	-	63,261	63,013
Deferred contributions (Note 6)	163,135	-	-	-	-	163,135	164,402
Current portion of long-term debt (Note 7)	-	-	-	-	10,471,713	10,471,713	9,921,111
	675,496	-	7,411	4,000,000	10,509,139	15,192,046	11,297,449
FUND BALANCES							
Unrestricted	249,619	-	-	-	-	249,619	341,961
Parking and Gift Shop Operations Fund	-	-	-	-	3,044,278	3,044,278	1,994,720
Invested in capital assets	26,223	-	-	-	450,476	476,699	1,530,136
Internally restricted (Note 8)	-	-	-	-	116,252	116,252	98,136
Restricted							
Endowment Fund	-	1,796,160	-	-	-	1,796,160	1,769,128
Funds for Designated Purposes (Note 9)	-	-	1,116,353	-	-	1,116,353	912,875
Care Grows West Campaign	-	-	-	4,846,247	-	4,846,247	3,664,009
	275,842	1,796,160	1,116,353	4,846,247	3,611,006	11,645,608	10,310,965
	\$ 951,338	\$ 1,796,160	\$ 1,123,764	\$ 8,846,247	\$ 14,120,145	\$ 26,837,654	\$ 21,608,414

On behalf of the Board:


 _____ Director
 _____ Director

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Operations

year ended March 31, 2012

	General Fund	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Parking and Gift Shop Operations Fund	Total 2012	2011
Revenue							
Donations	\$ 1,252,051	\$ -	\$ 296,364	\$ 8,117,728	\$ -	\$ 9,666,143	\$ 6,027,881
Donations-in-kind (Note 10)	3,565	-	-	-	-	3,565	21,985
Investment income	80,630	4,051	16,375	135,902	59,981	296,939	98,540
Parking Operations	-	-	-	-	4,128,761	4,128,761	3,916,854
Gift Shop	-	-	-	-	205,605	205,605	222,720
Total revenue	1,336,246	4,051	312,739	8,253,630	4,394,347	14,301,013	10,287,980
Expenses							
Salaries and benefits (Note 13)	755,093	-	-	-	-	755,093	622,285
Fundraising and administrative	548,829	-	-	-	-	548,829	519,456
Investment fees	16,259	-	2,288	-	-	18,547	18,165
Parking Operations	-	-	-	-	1,011,131	1,011,131	1,018,018
Gift Shop	-	-	-	-	190,152	190,152	189,738
Interest on long-term debt	-	-	-	-	354,721	354,721	363,771
Amortization of capital assets	21,569	-	-	-	489,388	510,957	516,693
	1,341,750	-	2,288	-	2,045,392	3,389,430	3,248,126
Excess of revenue over expenses before grants	(5,504)	4,051	310,451	8,253,630	2,348,955	10,911,583	7,039,854
Grants (Note 13)	-	-	(190,391)	(7,000,000)	(1,500,000)	(8,690,391)	(866,503)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	\$ (5,504)	\$ 4,051	\$ 120,060	\$ 1,253,630	\$ 848,955	\$ 2,221,192	\$ 6,173,351

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION
Statement of Changes in Fund Balances
year ended March 31, 2012

	General Fund					Parking and Gift Shop Operations Fund				Total	
	Unrestricted	Invested in Capital Assets	Endowment Fund	Funds for Designated Purposes	Care Grows West Campaign	Operations	Invested in Capital Assets	Internally Restricted (Note 8)	2012	2011	
BALANCE, BEGINNING OF YEAR	\$ 341,961	\$ 41,072	\$ 1,769,128	\$ 912,875	\$ 3,664,009	\$ 1,994,720	\$ 1,489,064	\$ 98,136	\$ 10,310,965	\$ 4,203,675	
Excess (deficiency) of revenue over expenses	(5,504)	-	4,051	120,060	1,253,630	848,955	-	-	2,221,192	6,173,351	
(Decrease) increase in unrealized gains on available-for-sale financial assets	-	-	(25,288)	-	(41,392)	(24,835)	-	-	(91,515)	68,865	
Decrease in unrealized loss on interest rate swap designated as a hedge (Note 7)	-	-	-	-	-	-	(795,034)	-	(795,034)	(134,926)	
Net changes in fund balance invested in capital assets (Note 11)	14,849	(14,849)	-	-	-	243,554	(243,554)	-	-	-	
Interfund transfers (Note 12)	(101,687)	-	48,269	83,418	(30,000)	-	-	-	-	-	
Internally restricted (Note 8)	-	-	-	-	-	(18,116)	-	18,116	-	-	
BALANCE, END OF YEAR	\$ 249,619	\$ 26,223	\$ 1,796,160	\$ 1,116,353	\$ 4,846,247	\$ 3,044,278	\$ 450,476	\$ 116,252	\$ 11,645,608	\$ 10,310,965	
Included in balance, end of year are accumulated unrealized gains (losses) on financial instruments	\$ -	\$ -	\$ 174,697	\$ -	\$ (41,392)	\$ (24,835)	\$ (588,820)	\$ -	(480,350)	\$ 406,199	

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Statement of Cash Flows

year ended March 31, 2012

	<u>2012</u>	<u>2011</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess of revenue over expenses	\$ 2,221,192	\$ 6,173,351
Items not affecting cash		
Amortization of capital assets - General Fund	21,569	26,538
Amortization of capital assets - Parking and Gift Shop Operations	489,388	490,155
	<u>2,732,149</u>	6,690,044
Changes in non-cash operating working capital items		
Accrued interest	(71,553)	(168)
Amounts receivable	2,490	(12,175)
Prepaid expenses	775	2,204
Inventory	10,434	(5,201)
Due to (from) the Hospital	3,001,366	(1,592,791)
Accounts payable and accrued liabilities	248	(21,617)
Deferred contributions	(1,267)	(1,201)
	<u>2,942,493</u>	5,059,095
INVESTING		
Purchase of investments	(4,092,885)	(52,685)
Sales and maturities of investments	63,267	1,201
Purchase of capital assets	(8,122)	(16,922)
	<u>(4,037,740)</u>	(68,406)
FINANCING		
Principal repayments of long-term debt	(244,432)	(235,919)
NET CASH INFLOW	1,392,470	4,754,770
CASH, BEGINNING OF YEAR	7,552,662	2,797,892
CASH, END OF YEAR	\$ 8,945,132	\$ 7,552,662

See accompanying notes to the financial statements.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2012

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 the Canadian Institute of Chartered Accountants (CICA) Handbook - Part V - *Pre-Changeover Accounting Standards* (Canadian (GAAP) and include the following significant accounting policies:

Future changes in accounting policies

In 2010, the CICA issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards (IFRS) or GAAP for not-for-profit organizations. The Foundation currently plans to adopt GAAP for not-for-profit organizations effective April 1, 2012. The Foundation has assessed the impact on its financial statements and is implementing these standards for its March 31, 2013 financial statements.

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 and the Parking and Gift Shop Operations Fund.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund accounting (Continued)

(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

year ended March 31, 2012

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, and for the Hospital's Irving Greenberg Family Cancer Centre for which substantial completion was reached during the year and opened for patients in April 2010 as part of the regional cancer program.

(v) 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, or the Care Grows West 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 disposal of investments, and if applicable, charges for other than temporary impairment of investments. Unrealized gains and losses on available-for-sale financial assets are included directly in the fund balances until disposal or impairment of the asset. At that time, the related gains and losses are reclassified and included in the Statement of Operations as investment income.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

Cash and cash equivalents

Cash and cash equivalents are highly liquid investments with original maturities of three months or less. Cash is classified as held-for-trading and carried at fair value. Cash equivalents are classified as available-for-sale and carried at fair value.

Investments

All investments (except the life annuity contract) are classified as available-for-sale and are recorded at fair value.

Short-term investments

The life annuity contract is classified as loans and receivables and 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 fair value of the annuity, is recorded as deferred revenue in the General Fund.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Long-term investments

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

Long-term debt

Long-term debt is classified as other liabilities and recorded at amortized cost using the effective interest rate method. The fair values of the loans are based on an assessment of interest rate risk and credit risk. Fair value is determined under a discounted cash flow methodology using a discount rate based on interest rates currently charged for new loans with similar terms and remaining maturities, adjusted for a credit risk factor, which is reviewed at least annually. For certain variable rate loans that reprice frequently and for loans without a stated maturity, fair values are assumed to be equal to carrying values.

Derivative financial instruments

The Foundation uses derivative financial instruments to manage interest rate risk. The only derivative products used are interest rate swaps (see Note 7 for further details). Derivative instruments are recorded on the Statement of Financial Position and are measured at fair value.

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

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other financial instruments and policies

Amounts receivable and due to hospital are classified as loans and receivables and carried at amortized cost, which approximates fair value.

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

Inventory

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

Capital assets

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

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

Donation-in-kind

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

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 fair value of investments, the useful lives of 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.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2012

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 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 7.

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements
year ended March 31, 2012

4. INVESTMENTS

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

	2012											
	General Fund		Endowment Fund		Funds for Designated Purposes		Care Grows West Campaign		Parking and Gift Shop Operations Fund		Total	
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost
Fixed income and cash	\$ -	\$ -	\$ 588,893	\$ 573,570	\$ 48,206	\$ 48,206	\$ 2,480,982	\$ 2,522,374	\$ 1,488,590	\$ 1,513,425	\$ 4,606,671	\$ 4,657,575
Life annuity contract (Note 6)	163,135	163,135									163,135	163,135
Equities												
Canadian	-	-	534,782	476,136	-	-	-	-	-	-	534,782	476,136
Foreign	-	-	672,485	571,757	-	-	-	-	-	-	672,485	571,757
	-	-	1,207,267	1,047,893	-	-	-	-	-	-	1,207,267	1,047,893
Total investments	163,135	163,135	1,796,160	1,621,463	48,206	48,206	2,480,982	2,522,374	1,488,590	1,513,425	5,977,073	5,868,603
Short-term investments	(163,135)	(163,135)	-	-	-	-	(2,480,982)	(2,522,374)	(1,488,590)	(1,513,425)	(4,132,707)	(4,198,934)
Long-term investments	\$ -	\$ -	\$ 1,796,160	\$ 1,621,463	\$ 48,206	\$ 48,206	\$ -	\$ -	\$ -	\$ -	\$ 1,844,366	\$ 1,669,669

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2011

4. INVESTMENTS (Continued)

Investments held as at March 31, 2011 consist of the following:

	2011							
	General Fund		Endowment Fund		Funds for Designated Purposes		Total	
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost
Fixed income and cash	\$ -	\$ -	\$ 552,114	\$ 541,123	\$ 105,440	\$ 105,440	\$ 657,554	\$ 646,563
Life annuity contract (Note 6)	164,402	164,402	-	-	-	-	164,402	164,402
Equities								
Canadian	-	-	608,635	478,972	-	-	608,635	478,972
Foreign	-	-	608,379	549,048	-	-	608,379	549,048
	-	-	1,217,014	1,028,020	-	-	1,217,014	1,028,020
Total investments	164,402	164,402	1,769,128	1,569,143	105,440	105,440	2,038,970	1,838,985
Short-term investments	(164,402)	(164,402)	-	-	-	-	(164,402)	(164,402)
Long-term investments	\$ -	\$ -	\$ 1,769,128	\$ 1,569,143	\$ 105,440	\$ 105,440	\$ 1,874,568	\$ 1,674,583

QUEENSWAY CARLETON HOSPITAL FOUNDATION
Notes to the Financial Statements
year ended March 31, 2012

5. CAPITAL ASSETS

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 94,883	\$ 86,946	\$ 7,937	\$ 6,528
Office furniture	33,610	27,044	6,566	13,288
Donor wall	70,020	58,300	11,720	21,256
Gift shop improvements	12,953	11,939	1,014	-
Parking facility license	12,225,175	1,304,000	10,921,175	11,410,175
	\$12,436,641	\$ 1,488,229	\$ 10,948,412	\$ 11,451,247

Cost and accumulated amortization at March 31, 2011 amounted to \$12,428,519 and \$977,272 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:

	2012	2011
Balance, beginning of year	\$ 164,402	\$ 165,603
Amortization of donation for life annuity	(1,267)	(1,201)
Balance, end of year	\$ 163,135	\$ 164,402

QUEENSWAY CARLETON HOSPITAL FOUNDATION
Notes to the Financial Statements
year ended March 31, 2012

7. LONG-TERM DEBT

	<u>2012</u>	<u>2011</u>
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)	\$ 9,882,893	\$ 10,127,325
Unrealized loss (gain) on interest rate swap designated as a hedge	588,820	(206,214)
	<u>\$ 10,471,713</u>	<u>\$ 9,921,111</u>

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

2013	\$ 253,251
2014	262,390
2015	576,787
2016	597,600
2017	619,163
2018 and thereafter	<u>7,573,702</u>
	<u>\$ 9,882,893</u>

QUEENSWAY CARLETON HOSPITAL FOUNDATION

Notes to the Financial Statements

year ended March 31, 2012

7. LONG-TERM DEBT (Continued)

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.

Certain derivatives are specifically designated and qualify for hedge accounting. Hedge accounting is applied to minimize significant unplanned fluctuations in earnings caused by changes in interest rates or foreign exchange rates. Interest rate and currency fluctuations will either cause assets and liabilities to appreciate or depreciate in market value or cause variability in forecasted cash flows. When a derivative functions effectively as a hedge, gains, losses, revenue and expenses on the derivative will offset the gains, losses, revenue and expenses on the hedged item.

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, which are off-balance sheet, 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 is \$9,882,893 (2011 - \$10,127,325).

Fair value

As at March 31, 2012, the interest rate swaps have unrealized losses, which are recorded on the Statement of Financial Position, of \$588,820 (2011 - unrealized gain of \$206,214). The fair value of the loans as at March 31, 2012 was \$10,471,713 (2011 - \$9,921,111).

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8. 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.

	<u>2012</u>	<u>2011</u>
Balance, beginning of year	\$ 98,136	\$ 64,839
Internal restriction during the year from gift shop revenue, net	<u>18,116</u>	<u>33,297</u>
Balance, end of year	<u>\$ 116,252</u>	<u>\$ 98,136</u>

9. FUNDS FOR DESIGNATED PURPOSES FUND BALANCE

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

	<u>2012</u>	<u>2011</u>
Designated donations to be granted to the Hospital	\$ 318,448	\$ 235,006
Hand in Hand Campaign donations to be granted to the Hospital	732,532	605,841
Undistributed Endowment net investment income	56,357	63,147
Lottery and Nevada net proceeds to be granted to the Hospital	<u>9,016</u>	<u>8,881</u>
	<u>\$ 1,116,353</u>	<u>\$ 912,875</u>

10. DONATIONS-IN-KIND

Donations-in-kind for the year ended March 31, 2012 consist of contributed gifts made to the Foundation totalling \$3,565 (2011 - \$21,985).

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11. NET CHANGES IN FUND BALANCES INVESTED IN CAPITAL ASSETS

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

	2012		2011	
	General Fund	Parking and Gift Shop Operations Fund	General Fund	Parking and Gift Shop Operations Fund
Purchase of capital assets	\$ 6,720	\$ 1,402	\$ 16,922	\$ -
Principal repayment of long-term debt	-	244,432	-	235,919
Amortization of capital assets	(21,569)	(489,388)	(26,538)	(490,155)
Net changes in fund balances invested in capital assets	\$ (14,489)	\$ (243,544)	\$ (9,616)	\$ (254,236)

12. INTERFUND TRANSFERS

During the year, an amount of \$101,687 was transferred from the General Fund to the following funds:

- An amount of \$48,269 was transferred to the Endowment Fund, which represents unrestricted funds of the General Fund directed by the Foundation's Finance Committee to support the growth of the Endowment Fund;
- An amount of \$52,918 was transferred to the Fund for Designated Purposes, which represents the realized net investment income from the unrestricted endowment, plus an amount of \$500 which represents a donation made in a prior year restricted to the Funds for Designated Purposes.

In addition, an amount of \$30,000 was transferred from the Care Grows West Campaign to the Funds for Designated Purposes, which represents a donation made in a prior year restricted to the Funds for Designated Purposes.

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13. RELATED PARTY TRANSACTIONS

An amount of \$4,493,937 (2011 - \$1,148,923) was due to the Hospital at March 31, 2012; 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 \$823,738 (\$2011 - \$482,090) was due from the Hospital at March 31, 2012 for net parking revenues transferred in advance to the Hospital which are payable back to the Foundation at March 31.

During the year ended March 31, 2012, a total of \$8,690,391 (2011 - \$858,503) was donated to the Hospital consisting of contributions for capital purposes of \$8,620,779 (2011 - \$838,202) and other contributions of \$69,612 (2011 - \$26,301).

Included in salaries and benefits expenses in the Statement of Operations is \$70,000 (2011 - \$65,000) 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, 2012, the Foundation paid the Hospital \$519,971 (2011 - \$576,061) for maintenance and repairs and \$206,438 (2011 - \$199,460) 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.

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14. FINANCIAL INSTRUMENTS (Continued)

Investment risk

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

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

Foreign currency risk

Foreign currency risk arises from the Endowment's investment portfolio holdings of non-Canadian equities. The foreign content of investments total \$672,485 (2011 - \$608,379) and is comprised of \$450,480 (2011 - \$340,410) in United States-based equities and \$222,005 (2011 - \$267,969) 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.

Fair value

The Foundation's financial instruments consist of investments, receivables and accounts payable and accrued liabilities. The fair value of accounts receivable, due to (from) the Hospital, accounts payable and accrued liabilities, and due to (from) funds approximate their carrying values due to the relatively short periods to maturity of the instruments. Investments are recorded at fair value.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current financial statement presentation.