

FONDATION HÔPITAL MONTFORT

FINANCIAL STATEMENTS

MARCH 31, 2018

# FONDATION HÔPITAL MONTFORT

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## INDEPENDENT AUDITOR'S REPORT

To the Directors of  
Fondation Hôpital Montfort

We have audited the accompanying financial statements of Fondation Hôpital Montfort, which comprise the statement of financial position as at March 31, 2018 and the statements of operations, changes in fund balances and cash flows for the year then ended, as well as 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 organization'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 organization'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 Fondation Hôpital Montfort as at March 31, 2018 as well as 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.

*Marcil Lavallée*

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario  
May 25, 2018

**Marcil Lavallée**

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FONDATION HÔPITAL MONTFORT

Statement of Operations

for the year ended March 31, 2018

	Administration Fund	Restricted Funds			Designated Donations	2018 Total	2017 Total
		Parking Management	Support to Hôpital Montfort	Fundraising Campaign			
<b>Revenue</b>							
Donations	\$ 480,769	\$ -	\$ -	\$ 460,413	\$ 327,950	\$ 1,269,132	\$ 1,282,921
Fundraising	429,480	-	-	91,536	-	521,016	475,232
Parking	-	4,158,440	-	-	-	4,158,440	4,189,716
Interest	3,703	234,360	-	4,577	-	242,640	250,117
	<b>913,952</b>	<b>4,392,800</b>	<b>-</b>	<b>556,526</b>	<b>327,950</b>	<b>6,191,228</b>	<b>6,197,986</b>
<b>Expenses</b>							
Salaries and benefits	541,027	-	-	-	-	541,027	586,465
Fundraising	129,103	-	-	16,774	-	145,877	137,830
Operating costs	99,828	1,028,452	86,946	111,291	-	1,326,517	1,188,020
Activities	-	-	-	-	-	-	143,127
Interest on line of credit	-	-	-	27,867	-	27,867	-
Interest on long-term debt	-	158,209	-	-	-	158,209	200,632
Amortization of intangible asset	-	547,253	-	-	-	547,253	547,253
Amortization of capital assets	8,638	33,614	26,353	-	-	68,605	66,585
	<b>778,596</b>	<b>1,767,528</b>	<b>113,299</b>	<b>155,932</b>	<b>-</b>	<b>2,815,355</b>	<b>2,869,912</b>
Excess (deficiency) of revenue over expenses before donations and other items	<b>135,356</b>	<b>2,625,272</b>	<b>(113,299)</b>	<b>400,594</b>	<b>327,950</b>	<b>3,375,873</b>	<b>3,328,074</b>
Donations to Hôpital Montfort	-	-	-	(1,500,000)	(52,816)	(1,552,816)	(1,060,377)
Donations to Institut du savoir Montfort	(32,000)	(2,102,095)	-	-	-	(2,134,095)	(912,155)
Donations for the creation of bursary funds	-	-	(19,000)	-	-	(19,000)	(14,000)
Unrealized losses on investments	-	(125,886)	-	-	-	(125,886)	(71,803)
Unrealized gains on interest rate swap	-	157,266	-	-	-	157,266	183,293
	<b>(32,000)</b>	<b>(2,070,715)</b>	<b>(19,000)</b>	<b>(1,500,000)</b>	<b>(52,816)</b>	<b>(3,674,531)</b>	<b>(1,875,042)</b>
Excess (deficiency) of revenue over expenses	\$ <b>103,356</b>	\$ <b>554,557</b>	\$ <b>(132,299)</b>	\$ <b>(1,099,406)</b>	\$ <b>275,134</b>	\$ <b>(298,658)</b>	\$ <b>1,453,032</b>

FONDATION HÔPITAL MONTFORT

Statement of Changes in Fund Balances  
for the year ended March 31, 2018

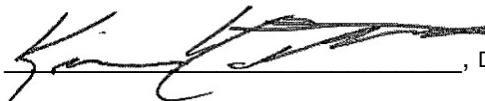
	Administration Fund	Restricted Funds			Designated Donations	2018 Total	2017 Total
		Parking Management	Support to Hôpital Montfort	Fundraising Campaign			
FUND BALANCES, BEGINNING OF YEAR	\$ 209,844	\$ 13,316,018	\$ -	\$ 279,372	\$ 265,601	\$ 14,070,835	\$ 12,617,803
Excess (deficiency) of revenue over expenses	103,356	554,557	(132,299)	(1,099,406)	275,134	(298,658)	1,453,032
Interfund transfers (Note 11)	100,000	(1,052,333)	132,299	820,034	-	-	-
FUND BALANCES, END OF YEAR	\$ 413,200	\$ 12,818,242	\$ -	\$ -	\$ 540,735	\$ 13,772,177	\$ 14,070,835

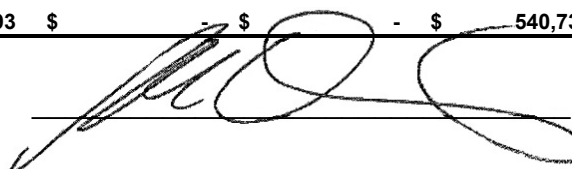
FONDATION HÔPITAL MONTFORT

Statement of Financial Position

March 31, 2018

	Administration Fund	Restricted Funds			Designated Donations	2018 Total	2017 Total
		Parking Management	Support to Hôpital Montfort	Fundraising Campaign			
<b>CURRENT ASSETS</b>							
Cash	\$ 453,435	\$ 388,155	\$ -	\$ 69,611	\$ -	\$ 911,201	\$ 7,982,594
Accounts receivable (Note 3)	335,819	323,581	-	54,707	65,000	779,107	739,788
Prepaid expenses	5,745	7,509	-	-	-	13,254	43,388
Current portion of investments (Note 4)	-	1,657,927	-	-	-	1,657,927	567,090
Interfund advances (dues), without interest	(297,100)	466,493	(193,810)	(251,318)	275,735	-	-
	<b>497,899</b>	<b>2,843,665</b>	<b>(193,810)</b>	<b>(127,000)</b>	<b>340,735</b>	<b>3,361,489</b>	<b>9,332,860</b>
INVESTMENTS (Note 4)	-	8,631,530	-	-	-	8,631,530	4,949,999
LIFE INSURANCE POLICIES (Note 5)	97,276	-	-	-	-	97,276	66,013
INTANGIBLE ASSET (Note 6)	-	4,241,208	-	-	-	4,241,208	4,788,461
CAPITAL ASSETS (Note 7)	9,416	129,890	193,810	-	-	333,116	401,721
PLEDGES RECEIVABLE	-	-	-	127,000	200,000	327,000	-
	<b>106,692</b>	<b>13,002,628</b>	<b>193,810</b>	<b>127,000</b>	<b>200,000</b>	<b>13,630,130</b>	<b>10,206,194</b>
	<b>\$ 604,591</b>	<b>\$ 15,846,293</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 540,735</b>	<b>\$ 16,991,619</b>	<b>\$ 19,539,054</b>
<b>CURRENT LIABILITIES</b>							
Accounts payable and accrued liabilities (Note 9)	\$ 191,391	\$ 78,456	\$ -	\$ -	\$ -	\$ 269,847	\$ 1,446,871
Current portion of long-term debt (Note 10)	-	958,788	-	-	-	958,788	914,487
	<b>191,391</b>	<b>1,037,244</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,228,635</b>	<b>2,361,358</b>
LONG-TERM DEBT (Note 10)	-	1,990,807	-	-	-	1,990,807	3,106,861
	<b>191,391</b>	<b>3,028,051</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,219,442</b>	<b>5,468,219</b>
<b>FUND BALANCES</b>							
Unrestricted	413,200	-	-	-	-	413,200	209,844
External restrictions	-	12,818,242	-	-	540,735	13,358,977	13,860,991
	<b>413,200</b>	<b>12,818,242</b>	<b>-</b>	<b>-</b>	<b>540,735</b>	<b>13,772,177</b>	<b>14,070,835</b>
	<b>\$ 604,591</b>	<b>\$ 15,846,293</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 540,735</b>	<b>\$ 16,991,619</b>	<b>\$ 19,539,054</b>

 , Director

 , Director

FONDATION HÔPITAL MONTFORT

Statement of Cash Flows

for the year ended March 31, 2018

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	2018	2017
<b>OPERATING</b>		
Excess (deficiency) of revenue over expenses	\$ (298,658)	\$ 1,453,032
<b>Adjustments for:</b>		
Amortization of intangible asset	547,253	547,253
Amortization of capital assets	68,605	66,585
Unrealized losses on investments	125,886	71,803
Unrealized gains on interest rate swap	(157,266)	(183,293)
	<b>285,820</b>	1,955,380
<b>Net change in non-cash working capital items:</b>		
Accounts receivable	(39,319)	(286,814)
Prepaid expenses	30,134	(24,370)
Accounts payable and accrued liabilities	(1,177,024)	1,178,793
	<b>(900,389)</b>	2,822,989
<b>INVESTING</b>		
Net change in investments	(4,898,254)	2,879,992
Net change in cash-surrender value of life insurance policies	(31,263)	26,728
Acquisition of capital assets	-	(18,614)
Pledges receivable	(327,000)	
	<b>(5,256,517)</b>	2,888,106
<b>FINANCING</b>		
Repayment of long-term debt	(914,487)	(872,233)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(7,071,393)</b>	4,838,862
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>7,982,594</b>	3,143,732
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 911,201</b>	<b>\$ 7,982,594</b>

Cash and cash equivalents consist of cash.

**1. STATUTE AND NATURE OF OPERATIONS**

Fondation Hôpital Montfort (the Foundation) was incorporated on March 25, 1986 as a charitable organization under the Canada Not-for-Profit Corporations Act to encourage and assist Hôpital Montfort and Institut du savoir Montfort by providing financial support. The Foundation is exempt from income tax under paragraph 149(1)(f) of the Income Tax Act.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The Foundation applies Canadian accounting standards for not-for-profit organizations (ASNFP) in accordance with Part III of the CPA Canada Handbook – Accounting.

***Fund accounting***

To ensure that limitations and restrictions placed on the use of resources available are observed, the accounts of the Foundation are classified for reporting purposes into funds in accordance with the activities or objectives specified by the donors or in accordance with the directives issued by the Board of Directors. For financial reporting purposes, the fund balances have been classified into the following funds:

***Administration Fund***

The Administration Fund consists of donations which have not been restricted by the donor for specific purposes, general fundraising and the day-to-day transactions of the Foundation. During the year, the Foundation transfers a portion of the donations from the Administration Fund to the Restricted Fund.

***Restricted Funds***

The Parking Management Fund consists of the operations related to parking management. An agreement was signed with Hôpital Montfort which specifies that all fund balances must be kept by the Foundation until expiration of the agreement in 2025. A portion of the fund balances is dedicated to infrastructure needs; when the agreement expires, this amount will be transferred to Hôpital Montfort. The remaining fund balances will be kept by the Foundation to use in furthering its mission.

The Support to Hôpital Montfort Fund includes the expenses incurred to help the Hospital achieve its objectives.

The Fundraising Campaign Fund consists of the operations related to the major fundraising campaign for specific projects.

The Designated Donations Fund consists of donations which have been restricted by the donor for specific purposes.

***Use of estimates***

The preparation of financial statements in compliance with the ASNFP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods covered.

***Cash and cash equivalents***

The Foundation's policy is to disclose bank balances under cash and cash equivalents including bank overdrafts with balances that fluctuate from being positive to overdrawn.

***Revenue recognition***

The Foundation follows the restricted fund method of accounting for contributions. Donations that are restricted by the donors are recognized as revenue of the Special Purpose Fund when received or receivable. All unrestricted donations are recognized as revenue of the Administration Fund when received. Restricted contributions for which the Foundation has no corresponding restricted fund are recognized as revenue of the Administration Fund in the year in which the related expenses are incurred.



**2. SIGNIFICANT ACCOUNTING POLICIES (continued)*****Revenue recognition (continued)***

Fundraising revenue is recognized in the year in which the funds are received.

Parking revenue is recognized when the service is provided.

Interest revenue is recognized in the respective funds when it becomes due.

***Contributed services***

Volunteers contribute many hours to assist the Foundation in carrying out its activities. Because of the difficulty in assessing the number of hours of contributed services and in determining their fair value, contributed services are not recognized in the financial statements.

***Contributions receivable***

A contribution receivable is recognized as an asset when the amount to be received can be reasonably estimated and ultimate collection is reasonably assured.

***Financial instruments******Measurement of financial instruments***

The Foundation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations.

Financial assets measured at amortized cost include cash and accounts receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial assets measured at fair value include investments and life insurance policies. The fair value of life insurance policies approximates their cash value.

Financial liabilities measured at fair value include the variable rate loan and the interest rate swap.

***Impairment***

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. The Foundation determines whether a significant adverse change has occurred in the expected timing or amount of future cash flows from the financial asset. If this is the case, the carrying amount of the asset is reduced directly to the higher of the present value of the cash flows expected to be generated by holding the asset, and the amount that could be realized by selling the asset at the balance sheet date. The amount of the write-down is recognized in operations. The previously recognized impairment loss may be reversed to the extent of the improvement, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations.

***Transaction costs***

The Foundation recognizes its transaction costs in operations in the period incurred. However, transaction costs related to financial instruments subsequently measured at amortized cost reduce the carrying amount of the financial asset or liability and are accounted for in the statement of operations using the straight-line method.

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible asset**

The intangible asset is recorded at cost. Amortization of the parking license is calculated on the straight-line basis over a 20-year period.

**Capital assets**

Capital assets are recorded at cost. Amortization is based on their useful life using the straight-line method over the following periods:

Parking equipment	3 to 10 years
Equipment	3 and 10 years

**Write-down of capital assets**

When a capital asset no longer contributes to the Foundation's ability to provide services, its carrying amount is written down to residual value, if any. The excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

**3. ACCOUNTS RECEIVABLE**

	Administration Fund	Parking Management	Fundraising Campaign	Designated Donations	2018 Total	2017 Total
Hôpital Montfort, without interest	\$ 835	\$ 61,964	\$ 200	\$ -	\$ 62,999	\$ 169,098
Santé Montfort, without interest	-	58,595	-	-	58,595	71,340
Institut du savoir Montfort, without interest	-	8,450	-	-	8,450	15,841
Sales taxes	6,504	(5,948)	6,007	-	6,563	3,649
Parking	-	200,520	-	-	200,520	242,284
Pledges	328,480	-	48,500	65,000	441,980	237,576
	<b>\$ 335,819</b>	<b>\$ 323,581</b>	<b>\$ 54,707</b>	<b>\$ 65,000</b>	<b>\$ 779,107</b>	<b>\$ 739,788</b>

**4. INVESTMENTS**

	Cost	2018	2017
Financial Institutions			
Term deposits	\$ 2,080,374	\$ 2,106,516	\$ 922,951
Bonds	4,715,856	4,668,442	916,023
Other	-	-	834,780
Federal, provincial and municipal body			
Bonds	3,314,112	3,297,072	2,347,606
Other	219,309	217,427	495,729
	<b>10,329,651</b>	<b>10,289,457</b>	<b>5,517,089</b>
Current portion of investments	<b>1,651,327</b>	<b>1,657,927</b>	<b>567,090</b>
	<b>\$ 8,678,324</b>	<b>\$ 8,631,530</b>	<b>\$ 4,949,999</b>

**5. LIFE INSURANCE POLICIES**

The amount of \$97,276 represents the cash surrender value of the life insurance policies for which the Foundation is the beneficiary. The realizable value at the time of the donors' death totals \$1,310,000.

FONDATION HÔPITAL MONTFORT

Notes to the Financial Statements

March 31, 2018

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6. INTANGIBLE ASSET

	Cost	Accumulated Amortization	2018	2017
Parking license	\$ 10,945,055	\$ 6,703,847	\$ 4,241,208	\$ 4,788,461

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	2018	2017
<b>Administration Fund</b>				
Equipment	\$ 73,716	\$ 64,300	\$ 9,416	\$ 18,055
<b>Parking Management</b>				
Parking equipment	\$ 261,068	\$ 131,178	\$ 129,890	\$ 163,503
<b>Support to Hôpital Montfort</b>				
Equipment	\$ 263,525	\$ 69,715	\$ 193,810	\$ 220,163
			<b>\$ 333,116</b>	<b>\$ 401,721</b>

8. BANK LOAN

The Foundation has an authorized line of credit of \$1,400,000, renewable annually, at prime lending rate minus 0.5%. This line of credit is fully secured by a moveable security and a first rank movable hypothec in the amount of \$1,400,000 on sums invested by the Foundation at the financial institution. As at March 31, 2018 and 2017, the line of credit is unused.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	Administration Fund	Parking Management	Fundraising Campaign	2018 Total	2017 Total
Hôpital Montfort, without interest	\$ 87,248	\$ 7,199	\$ -	\$ 94,447	\$ 1,148,503
Institut du savoir Montfort, without interest	7,500	-	-	7,500	6,000
Accrued liabilities	59,074	9,656	-	68,730	153,529
Suppliers	37,505	61,601	64	99,170	138,839
	<b>\$ 191,327</b>	<b>\$ 78,456</b>	<b>\$ 64</b>	<b>\$ 269,847</b>	<b>\$ 1,446,871</b>

**10. LONG-TERM DEBT**

	<u>2018</u>	<u>2017</u>
<b>Parking license</b>		
Variable rate loan converted to a flat rate loan at 4.74%, per swap, repayable in monthly instalments of \$89,391, principal and interest, maturing in January 2021	\$ 2,838,819	\$ 3,753,306
Negative value of the interest rate swap	<u>110,776</u>	<u>268,042</u>
	<b>2,949,595</b>	4,021,348
Current portion of long-term debt	<u>958,788</u>	<u>914,487</u>
	<b>\$ 1,990,807</b>	<b>\$ 3,106,861</b>

Long-term debt principal repayments over the next three years are as follows:

2019	\$ 958,788
2020	\$ 1,005,235
2021	\$ 874,796

**11. INTERFUND TRANSFERS**

An amount of \$100,000 (2017: \$100,000) was transferred from the Parking Management Fund to the Administration Fund in order to finance management of the parking by the Foundation's staff. Moreover, an amount of \$132,299 (2017: \$221,900) was transferred to the Support to Hôpital Montfort Fund in order to finance the expenses incurred on behalf of the Hospital during the year. Finally, an amount of \$820,034 (2017: \$Nil) was transferred to the Fundraising Campaign Fund to finance the Foundation's commitment to Hôpital Montfort so that the latter could acquire a specialized cardiac CT scanner.

**12. FINANCIAL INSTRUMENTS***Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed-rate instruments subject the Foundation to a fair value risk while the floating-rate instruments subject it to a cash flow risk. The Foundation does not use derivative financial instruments to alter the effects of this risk.

The Foundation uses a line of credit and a loan bearing variable interest rates. Consequently, the Foundation's interest risk exposure is function of the changes of the prime rate. However, a variation of 1% of the prime rate would not have a significant effect on the net earnings and financial position of the Foundation.

The interest rate swap agreement has a notional value equivalent to the long-term debt; it matures on January 4, 2021 and sets the interest rate paid by the Foundation at 4.74%.

Investments, which include related accrued interest, pay interest at rates appropriate to the market at the date of purchase. Investments bear interest ranging from 1.7% to 4.95% (2017: 1.4% to 8.57%), maturing at different dates until 2026.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's main credit risks relate to its accounts receivable. The Foundation is not exposed to significant risk from a particular client or any other counterpart.

**13. RELATED PARTY TRANSACTIONS****Parking**

The Foundation has an agreement with Santé Montfort, an entity related to Hôpital Montfort, regarding the management of Hôpital Montfort's parking. The summary of the transactions concluded with this related party is as follows:

	<u>2018</u>	<u>2017</u>
Revenue received from Santé Montfort	\$ 256,410	\$ 346,590
Recovery of parking operations expenses received from Santé Montfort <sup>(a)</sup>	<u>85,055</u>	<u>75,909</u>
Total <sup>(b)</sup>	<u>\$ 341,465</u>	<u>\$ 422,499</u>

(a) Since the Foundation acts as an intermediary, these operations are not recorded in the Foundation's financial statements.

(b) Related party transactions recorded in Santé Montfort's financial statements amount to \$311,648, a difference of \$29,498 attributable to the treatment of sales taxes differing between the two entities.

**Salaries and benefits**

The Foundation's employees' salaries are paid through the Hospital's payroll system. The Foundation reimburses the amounts periodically. Through the Hospital, the Foundation participates in the Healthcare of Ontario Pension Plan (HOOPP), a defined benefit multi-employer pension plan. All full-time employees who have reached six months of continuous service have to join HOOPP. This pension is also available on a voluntary basis to part-time employees. As at March 31, 2018, contributions to the pension plan are recorded in the Foundation's expenses and total \$39,424 (2017: \$42,536). Since the information required to present the information related to the Plan is not available, it is treated as a defined contribution plan.

**Donations**

The Foundation made donations totalling \$1,552,816 to Hôpital Montfort during the year (2017: \$1,060,377). During the year, the Foundation also made donations totalling \$2,134,095 to Institut du savoir Montfort (2017: \$912,155).

These transactions were carried out in the normal course of operations and are recorded at the exchange value. This value corresponds to the consideration agreed upon by the parties.

**14. CONTRACTUAL OBLIGATIONS**

The Foundation entered into various agreements expiring in March 2020 to pay an amount of \$768,525 for service agreements and parking lot lease.

Payments for the next two years are as follows:

2019	\$ 622,685
2020	\$ 145,840