

Financial Statements of

**CAPE BRETON REGIONAL
HOSPITAL FOUNDATION**

Year ended December 31, 2013



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INDEPENDENT AUDITORS' REPORT

To the Chairman and Members of the Board of the Cape Breton Regional Hospital Foundation

We have audited the accompanying financial statements of Cape Breton Regional Hospital Foundation which comprise the statement of financial position as at December 31, 2013 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives part of its revenue from donations and special projects, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to assets, revenues, excess of revenues over expenses and fund balances.

Qualified Opinion

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Cape Breton Regional Hospital Foundation as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants
Sydney, Canada
March 27, 2014

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Financial Statements

Year ended December 31, 2013

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CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Financial Position

December 31, 2013, with comparative figures for 2012

	2013				2012			
	General Fund	Restricted Fund	Endowment Fund	V.J. Harriss Endowment Fund	Capital Fund	Total	Total	Total
ASSETS								
Current assets								
Cash	\$ 1,726,282	\$ 1,508,959	\$ -	\$ -	\$ -	\$ 3,235,241	\$ 3,248,814	\$ 3,248,814
Investments (note 2)	-	3,132,859	-	-	-	3,132,859	1,668,626	1,668,626
Accounts receivable (note 3)	26,234	-	-	-	-	26,234	22,570	22,570
Due from Restricted Fund	-	-	-	75,000	-	75,000	-	-
Prepaid expenses	641	-	-	-	-	641	636	636
	1,753,157	4,641,818	-	75,000	-	6,469,975	4,940,646	4,940,646
Investments (note 2)	-	209,207	97,671	4,526,931	-	4,833,809	4,319,093	4,319,093
Capital assets (note 4)	-	-	-	-	19,540	19,540	25,252	25,252
	\$ 1,753,157	\$ 4,851,025	\$ 97,671	\$ 4,601,931	\$ 19,540	\$ 11,323,324	\$ 9,284,991	\$ 9,284,991

LIABILITIES

Current liabilities								
Accounts payable and accrued liabilities (note 5)	\$ 41,495	\$ -	\$ -	\$ -	\$ -	\$ 41,495	\$ 53,008	\$ 53,008
Deferred revenue	-	-	-	-	-	-	2,338	2,338
Due to Cape Breton District Health Authority	504,627	-	-	-	-	504,627	208,042	208,042
Due to V. J. Harriss Endowment Fund	-	75,000	-	-	-	75,000	-	-
	546,122	75,000	-	-	-	621,122	263,388	263,388
FUND BALANCES								
Unrestricted	1,207,035	-	-	-	-	1,207,035	1,712,849	1,712,849
V.J. Harriss Endowment Fund	-	-	-	4,601,931	-	4,601,931	4,026,180	4,026,180
Restricted (note 6)	-	4,776,025	97,671	-	-	4,873,696	3,257,322	3,257,322
Invested in capital assets (note 7)	-	-	-	-	19,540	19,540	25,252	25,252
	1,207,035	4,776,025	97,671	4,601,931	19,540	10,702,202	9,021,603	9,021,603
	\$ 1,753,157	\$ 4,851,025	\$ 97,671	\$ 4,601,931	\$ 19,540	\$ 11,323,324	\$ 9,284,991	\$ 9,284,991

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Operations

Year ended December 31, 2013, with comparative figures for 2012

	2013						2012				
	General Fund	Restricted Fund	Endowment Fund	Total Restricted Funds	V.J. Harriss Endowment Fund	Capital Fund	Total	General Fund	V.J. Harriss Endowment Fund	Capital Fund	Total
REVENUES											
Annual campaign	\$ 171,976	\$ 598,906	\$ -	\$ 598,906	\$ -	\$ -	\$ 770,882	\$ 243,513	\$ -	\$ -	\$ 696,892
Planned and major gifts	3,505	999,720	-	999,720	-	-	1,003,225	391,500	-	-	542,500
Capital campaign	-	276,766	-	276,766	-	-	276,766	-	-	-	477,377
Investment income (note 9)	623,731	367,264	10,995	378,259	-	-	1,001,990	379,607	-	-	510,312
Other	50,798	-	-	-	-	-	50,798	51,610	-	-	51,610
Business operations, net of direct expenses (schedule)	1,613,578	-	-	-	-	-	1,613,578	1,604,430	-	-	1,604,430
Special events, net of direct expenses (note 10)	182,448	-	-	-	-	-	182,448	117,416	-	-	117,416
	2,646,036	2,242,656	10,995	2,253,651	-	-	4,899,687	2,788,076	-	-	4,000,537
EXPENSES											
Fundraising											
Direct expenses	287,832	-	-	-	-	-	287,832	263,911	-	-	263,911
Administrative											
Administration	384,260	-	-	-	-	-	384,260	322,586	-	-	322,586
Amortization	5,712	-	-	-	-	-	5,712	936	-	-	936
	677,804	-	-	-	-	-	677,804	587,433	-	-	587,433
Appropriations to Cape Breton District Health Authority											
Business operations	1,497,433	-	-	-	-	-	1,497,433	1,479,575	-	-	1,479,575
Pediatrics	-	34,636	-	34,636	-	-	34,636	-	-	-	16,237
Equipment	115,181	640,806	-	640,806	-	-	755,987	-	39,944	-	647,070
Cancer treatment centre	-	231,306	-	231,306	-	-	231,306	-	-	-	16,678
Other	-	8,922	-	8,922	-	-	8,922	-	-	-	-
	1,612,614	915,670	-	915,670	-	-	2,528,284	1,479,575	39,944	-	2,159,560
	2,290,418	915,670	-	915,670	-	-	3,206,088	2,067,008	39,944	-	2,746,993
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 355,618	\$ 1,326,986	\$ 10,995	\$ 1,337,981	\$ -	\$ -	\$ 1,693,599	\$ 721,068	\$ (39,944)	\$ -	\$ 1,253,544

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2013, with comparative figures for 2012

	2013					2012			
	General Fund	Restricted Fund	Endowment Fund	V. J. Harris Endowment Fund	Capital Fund	Total Restricted Funds	V. J. Harris Endowment Fund	Capital Fund	Total
FUND BALANCE, BEGINNING OF YEAR	\$ 1,712,849	\$ 3,170,646	\$ 86,676	\$ 4,026,180	\$ 25,252	\$ 9,021,603	\$ 3,332,965	\$ 4,905	\$ 7,768,059
Excess (deficiency) of revenues over expenses	355,618	1,326,986	10,995	-	-	1,693,599	(39,944)	-	1,253,544
Interfund transfers	(867,144)	278,393	-	588,751	-	-	733,159	-	-
Investment adjustment	-	-	-	(13,000)	-	(13,000)	-	-	-
Net change in investment in capital assets (note 9)	5,712	-	-	-	(5,712)	-	-	20,347	-
FUND BALANCE, END OF YEAR	\$ 1,207,035	\$ 4,776,025	\$ 97,671	\$ 4,601,931	\$ 19,540	\$ 10,702,202	\$ 4,026,180	\$ 25,252	\$ 9,021,603

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
CASH FLOWS FROM OPERATIONS		
Excess of revenues over expenses	\$ 1,693,599	\$ 1,253,544
Items not involving cash		
Amortization	5,712	3,324
Loss on disposal of capital assets	—	201
Loss (gain) on sale of investments	53,465	(88,397)
Unrealized gain from change in fair market value of investments	(755,950)	(203,535)
Donation/adjustment of investments	(13,000)	(410,956)
Change in non-cash operating working capital		
Decrease (increase) in accounts receivables	(3,664)	17,501
Decrease in inventory	—	30,175
Decrease (increase) in prepaid expenses	(5)	6,631
Decrease in accounts payable and accrued liabilities	(11,513)	(58,219)
Increase (decrease) in deferred revenue	(2,338)	2,338
Increase in due to Cape Breton District Health Authority	296,585	227,542
	<u>1,262,891</u>	<u>780,149</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of capital assets	—	(23,872)
Increase in investments	(1,276,464)	(325,807)
	<u>(1,276,464)</u>	<u>(349,679)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(13,573)</u>	<u>430,470</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,248,814</u>	<u>2,818,344</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 3,235,241</u>	<u>\$ 3,248,814</u>

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

The Foundation is incorporated under the Societies Act of the Province of Nova Scotia. The principal activity is to raise funds to assist in the construction of and the supply of certain equipment and services for the Cape Breton District Health Authority. The Foundation is a registered charity and is exempt from income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(a) Basis of presentation

The Foundation follows the restricted fund method of accounting. The following is a description of the nature and purpose of each fund:

(i) General fund

The general fund reports all the remaining residual activities of the Foundation and consists principally of the assets, liabilities, revenues and expenses associated with the core operations of the Foundation. Revenue includes contribution for which a specific purpose has not been designated by the donor.

(ii) Restricted fund

The restricted fund reports all designated assets, liabilities, revenues and expenses associated with specific purpose activities of the Foundation. Revenue includes contributions which have been restricted for a specific purpose by the donor. Contributions that have been restricted internally by the Foundation from undesignated contributions are recorded as an interfund transfer.

(iii) Capital fund

The capital fund reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets. Where appropriate, amortization is recorded in the fund where the asset is significantly used.

(iv) V. J. Harriss endowment fund

The V. J. Harriss endowment fund reports contributions of the V. J. Harriss Estate and a related trust. Contributions to the fund have been internally endowed by the Foundation. Income from the endowed asset is to be used for areas of the greatest need as approved by the Board.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Endowment fund

The endowment fund reports contributions which have been designated by the donor to be maintained permanently and/or the Foundation has internally endowed from undesignated contributions.

(b) Cash and cash equivalents

Cash and cash equivalents is comprised of cash on hand, cash in bank accounts and the cash component of marketable securities held in the restricted fund.

(c) Revenue recognition

Unrestricted contributions are recognized as revenue of the general fund when received. Contributions that have been internally restricted by the Foundation are reported in the specific fund by way of an interfund transfer.

Externally restricted contributions are recognized as revenue in the restricted fund when received. Contributions are considered restricted when designated by the donor or when received on behalf of a specific campaign.

Pledged contributions are recorded when cash is received.

Income earned on externally restricted assets are reported in the specific restricted fund and income earned on internally restricted and the V. J. Harriss endowment fund are reported in the general fund. Income earned on endowment fund assets are recorded as interest income in the endowment fund based on restrictions imposed by the donor.

Revenue from business operations and special events are recognized when the services are provided or the goods sold.

(d) Contributed services

The organization would not be able to carry out its activities without the services of the many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements.

(e) Financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except investments. These are subsequently measured at fair market value with any changes recorded on the statement of operations.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets measured at amortized cost include cash, accounts receivable and due from Cape Breton District Health Authority.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Cape Breton District Health Authority.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, 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 income.

(f) Capital assets

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Equipment and fixtures	Declining balance	20%
Leaseholds	Straight line	5 years
Furniture	Declining balance	20%

(g) Allocated expenses

The Foundation engages in fundraising activities and management of two business ventures. The costs that are directly associated with these activities are included in the expenses of the specific activity. The Foundation also incurs payroll related costs that are common to providing administrative support, fundraising and its business operations.

The Foundation allocates the payroll related costs for certain individuals who provide services to multiple activities. These payroll related costs are allocated based on management's best estimate of time spent by the individuals on the activities.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and valuation allowances of receivables. Actual results could differ from those estimates.

2. INVESTMENTS

	2013		2012	
	Cost	Fair market value	Cost	Fair market value
Short-term				
Fixed income	\$ 300,000	\$ 315,300	\$ 300,000	\$ 307,771
Money market	10,000	10,264	10,000	10,236
Equities	2,426,489	2,807,295	1,278,052	1,350,619
	2,736,489	3,132,859	1,588,052	1,668,626
Long-term				
Cash	14,550	14,550	9,328	9,328
Fixed income	200,000	209,208	200,000	204,613
Equities	3,901,083	4,610,051	3,846,663	4,105,152
	4,115,633	4,833,809	4,055,991	4,319,093
	\$ 6,852,122	\$ 7,966,668	\$ 5,644,043	\$ 5,987,719

3. ACCOUNTS RECEIVABLE

	2013	2012
General Fund		
Harmonized sales tax	\$ 3,865	\$ 12,447
Accrued interest	9,869	—
Other	12,500	6,493
	26,234	18,940
Restricted Fund		
Accrued interest	—	3,630
	\$ 26,234	\$ 22,570

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

4. CAPITAL ASSETS

			2013	2012
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and fixtures	\$ 33,493	\$ 30,909	\$ 2,584	\$ 3,280
Leaseholds	23,872	7,164	16,708	21,484
Furniture	11,376	11,128	248	488
	\$ 68,741	\$ 49,201	\$ 19,540	\$ 25,252

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes government remittances payable of \$12,195 (2012 - \$11,721).

6. RESTRICTED FUND BALANCES

Major categories of the restricted fund balance are as follows:

	2013	2012
Restricted funds		
Restricted for Foundation CCPC Fund	\$ -	\$ 142,005
Restricted for cancer treatment centre	2,238,704	1,837,270
Restricted for pediatrics	280,572	85,386
Restricted for TLC/NICU	-	7,567
Restricted for equipment	501,307	466,634
Other restrictions	1,755,442	631,784
	4,776,025	3,170,646
Endowment Fund	97,671	86,676
Total restricted fund balance	\$ 4,873,696	\$ 3,257,322

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

7. INVESTMENT IN CAPITAL ASSETS

(a) Investment in capital assets is calculated as follows:

	2013	2012
Capital assets	\$ 19,540	\$ 25,252

(b) Change in net assets invested in capital assets is calculated as follows:

	2013	2012
Invested in capital assets, beginning of year	\$ 25,252	\$ 4,905
Net change in investment in capital assets:		
Amortization of capital assets in General Fund	(5,712)	(3,324)
Purchase of capital assets	–	23,872
Loss on disposal of capital assets	–	(201)
	(5,712)	20,347
Invested in capital assets, end of year	\$ 19,540	\$ 25,252

8. ENDOWMENT FUNDS

The endowment funds are maintained for the following specific purposes:

Cancer patient care – Income from assets endowed for this purpose is used to provide financial assistance to cancer patients in need.

V. J. Harriss Endowment Fund – Income from assets endowed in this fund are used for the areas of greatest need as approved by the Board.

9. INVESTMENT INCOME

	2013	2012
Interest	\$ 299,505	\$ 229,358
Gain (loss) on sale of investments	(53,465)	88,397
Unrealized gain from change in fair market value of investments	755,950	203,535
Cost adjustment	–	(10,978)
	\$1,001,990	\$ 510,312

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

10. SPECIAL EVENTS

	2013	2012
Revenues		
Festival of the Greens	\$ 150,890	\$ 111,770
Viva Las Vegas	74,175	70,935
Golf tournament	85,922	43,302
	310,987	226,007
Expenses		
Festival of the Greens	52,981	52,756
Viva Las Vegas	31,999	27,331
Golf tournament	43,559	28,504
	128,539	108,591
Special events net income	\$ 182,448	\$ 117,416

11. ALLOCATED EXPENSES

The Foundation has included in fundraising, administrative and business operation expenses an allocation of payroll related costs as follows:

	2013	2012
Fundraising	\$ 56,209	\$ 27,535
Administrative	147,820	79,087
Business operations	16,598	44,254
	\$ 220,627	\$ 150,876

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

12. RELATED PARTY TRANSACTIONS

The Foundation is considered related to the Cape Breton District Health Authority (CBDHA) due to the nature of the specific purpose of the Foundation.

The following details the primary transactions between the two organizations:

	2013	2012
Payments to the Foundation		
Volunteer and mental health parking	\$ 26,727	\$ 30,761
Payments to CBDHA		
Glace Bay, New Waterford and North Sydney parking	508,579	515,375
Cape Breton Regional Hospital parking	988,854	964,200
Transfers to CBDHA for equipment purchases (including pediatrics)	790,623	663,307
Transfers to CBDHA for cancer treatment centre and other	240,228	16,678

Transactions are recorded at exchange amount.

In addition to the above transactions, CBDHA provides office space to the Foundation at no charge.

13. OTHER MATTERS

The Foundation has been named as a beneficiary of an Estate from which it received \$386,700 in 2012, for a total principal of \$3,611,793 since 2010.

14. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and includes the following significant risk at December 31, 2013.

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. Future cash flows of its fixed income investments are dependent on market interest rates.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2013

14. FINANCIAL INSTRUMENTS (CONTINUED)

Other price risk

The Foundation is exposed to fluctuating market values on its equity investments and manages this risk through investing in equities without high risk.

The Foundation is not subject to significant credit, liquidity or currency risks.

15. COMPARATIVE FIGURES

Certain 2012 comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Schedule of Business Operations

Year ended December 31, 2013, with comparative figures for 2012

	2013	2012
REVENUES	\$ 1,710,722	\$ 1,765,721
COST OF SALES		
Inventory, beginning of year	—	30,175
Purchases	—	12,708
	—	42,883
Inventory, end of year	—	—
	—	42,883
	1,710,722	1,722,838
EXPENSES		
Operating and administrative	97,144	116,020
Amortization	—	2,388
	97,144	118,408
Net business operation results	\$ 1,613,578	\$ 1,604,430