



Financial Statements of

**CAPE BRETON REGIONAL
HOSPITAL FOUNDATION**

Year ended December 31, 2012



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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, 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 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, 2012 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Independent Auditors' Report

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Comparative Information

We draw attention to Note 2 to the financial statements which describes that the Foundation adopted the Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2011, and the statements of operations, changes in fund balances and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is neither audited nor reviewed.

MBM & Associates

Chartered Accountants
Sydney, Canada

March 22, 2013

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Financial Statements

Year ended December 31, 2012

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CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Financial Position

As at December 31, 2012

	2012				2011	
	General Fund	Restricted Fund	Capital Fund	V.J. Harriss Endowment Fund	Endowment Fund	Total
ASSETS						
Current assets						
Cash	\$ 1,956,661	\$ 1,292,153	\$ -	\$ -	\$ -	\$ 3,248,814
Investments (note 3)	-	1,668,626	-	-	-	1,668,626
Accounts receivable (note 4)	18,940	3,630	-	-	-	22,570
Due from General Fund	-	-	-	-	-	-
Inventory, retail outlet (note 5)	-	-	-	-	-	-
Prepaid expenses	636	-	-	-	-	-
						636
Investments (note 3)	1,976,237	2,964,409	-	-	-	4,940,646
Capital assets (note 6)	-	206,237	-	4,026,180	86,676	4,319,093
			25,252	-	-	25,252
	\$ 1,976,237	\$ 3,170,646	\$ 25,252	\$ 4,026,180	\$ 86,676	\$ 9,284,991
						\$ 7,904,786
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (note 7)	\$ 53,008	\$ -	\$ -	\$ -	\$ -	\$ 53,008
Deferred revenue	2,338	-	-	-	-	2,338
Due to Cape Breton District Health Authority	208,042	-	-	-	-	208,042
Due to V. J. Harriss Endowment Fund	-	-	-	-	-	-
	263,388	-	-	-	-	263,388
FUND BALANCES						
Unrestricted						
V.J. Harriss Endowment Fund	1,712,849	-	-	-	-	1,712,849
Restricted (note 8)	-	-	-	4,026,180	-	4,026,180
Invested in capital assets	-	3,170,646	-	-	86,676	3,257,322
			25,252	-	-	25,252
	1,712,849	3,170,646	25,252	4,026,180	86,676	9,021,603
Commitment (note 16)						7,768,059
	\$ 1,976,237	\$ 3,170,646	\$ 25,252	\$ 4,026,180	\$ 86,676	\$ 9,284,991
						\$ 7,904,786

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, 2012

	2012						2011					
	General Fund	Restricted Fund	Capital Fund	Total Restricted Funds	V.J. Harriss Endowment Fund	Total Endowment Fund	General Fund	Restricted Funds	Total Funds	V.J. Harriss Endowment Fund	Total Endowment Fund	Total
REVENUES												
Annual campaign	\$ 243,513	\$ 453,379	\$ -	\$ 453,379	\$ -	\$ -	\$ 696,892	\$ 260,842	\$ 441,674	\$ -	\$ -	\$ 702,516
Planned and major gifts	391,500	131,800	-	131,800	-	-	542,500	1,550,093	82,937	-	19,200	1,652,230
Capital campaign	-	477,377	-	477,377	-	-	477,377	-	565,707	-	-	565,707
Investment income (note 11)	379,607	124,055	-	124,055	-	-	510,312	118,037	61,188	-	(29,412)	149,813
Grants	-	-	-	-	-	-	-	103,225	-	-	-	103,225
Other	51,610	-	-	-	-	-	51,610	42,018	-	-	-	42,018
Business operations, net of direct expenses (schedule)	1,604,430	-	-	-	-	-	1,604,430	1,422,315	-	-	-	1,422,315
Special events, net of direct, expenses (note 12)	117,416	-	-	-	-	-	117,416	126,340	-	-	-	126,340
	2,788,076	1,186,611	-	1,186,611	-	-	4,000,537	3,622,870	1,151,506	-	(10,212)	4,764,164
EXPENSES												
Fundraising												
Direct expenses	263,911	-	-	-	-	-	263,911	248,805	2,269	-	-	251,074
Administrative	322,586	-	-	-	-	-	322,586	337,913	-	-	-	337,913
Amortization	936	-	-	-	-	-	936	1,176	-	-	-	1,176
	587,433	-	-	-	-	-	587,433	587,894	2,269	-	-	590,163
Appropriations to Cape Breton District Health Authority												
Business operations	1,479,575	-	-	-	-	-	1,479,575	1,258,359	-	-	-	1,258,359
Pediatrics	-	16,237	-	16,237	-	-	16,237	-	10,878	-	-	10,878
Equipment	-	607,126	-	607,126	39,944	-	647,070	-	458,494	-	-	458,494
Cancer treatment centre	-	16,678	-	16,678	-	-	16,678	-	2,124,445	-	-	2,124,445
	1,479,575	640,041	-	640,041	39,944	-	2,159,560	1,258,359	2,593,817	-	-	3,852,176
	2,067,008	640,041	-	640,041	39,944	-	2,746,993	1,846,253	2,596,086	-	-	4,442,339
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 721,068	\$ 546,570	\$ -	\$ 546,570	\$ (39,944)	\$ 25,850	\$ 1,253,544	\$ 1,776,617	\$ (1,444,580)	\$ -	\$ (10,212)	\$ 321,825

See accompanying notes to financial statements.

Statement of Changes in Fund Balances

	2012						2011	
	V. J. Harriss			Total			V.J. Harriss	2011
	General Fund	Restricted Fund	Capital Fund	Endowment Fund	Endowment Fund	Total	Endowment Fund	
	Fund	Fund	Fund	Fund	Fund	Funds	Fund	Total
FUND BALANCE, BEGINNING OF YEAR	\$ 1,920,330	\$ 2,449,033	\$ 4,905	\$ 3,332,965	\$ 60,826	\$ 7,768,059	\$ 1,815,180	\$ 7,446,234
Excess (deficiency) of revenues over expenses	721,068	546,570	-	(39,944)	25,850	1,253,544	-	321,825
Interfund transfers	(908,202)	175,043	-	733,159	-	-	1,517,785	-
Net change in investment in capital assets (note 9)	(20,347)	-	20,347	-	-	-	-	-
FUND BALANCE, END OF YEAR	\$ 1,712,849	\$ 3,170,646	\$ 25,252	\$ 4,026,180	\$ 86,676	\$ 9,021,603	\$ 3,332,965	\$ 7,768,059

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CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended December 31, 2012

	2012	2011
CASH FLOWS FROM OPERATIONS		
Excess of revenues over expenses	\$ 1,253,544	\$ 321,825
Items not involving cash		
Amortization	3,324	4,031
Loss on disposal of capital assets	201	—
Gain on sale of investments	(88,397)	(89,972)
Unrealized (gain) loss from change in fair market value of investment	(203,535)	73,873
Donation of investments	(410,956)	(1,499,293)
Change in non-cash operating working capital		
Decrease (increase) in accounts receivables	17,501	(27,806)
Decrease in inventory	30,175	9,929
Decrease (increase) in prepaid expenses	6,631	(633)
Decrease in accounts payable and accrued liabilities	(58,219)	(2,474)
Increase (decrease) in deferred revenue	2,338	(2,100)
Decrease (increase) in due to/from Cape Breton District Health Authority	227,542	(105,029)
	780,149	(1,317,649)
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Purchase of capital assets	(23,872)	—
(Increase) decrease in investments	(325,807)	1,964,937
	(349,679)	1,964,937
INCREASE IN CASH AND CASH EQUIVALENTS	430,470	647,288
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,818,344	2,171,056
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,248,814	\$ 2,818,344

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

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, 2012

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, 2012

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, 2012

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. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

Effective January 1, 2012, the Foundation adopted the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting, electing to adopt the new accounting framework: Canadian Accounting Standards for Not-for-Profit Organizations. These are the Foundation's first financial statements prepared in accordance with Accounting Standards for Not-for-Profit Organizations and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. The accounting policies set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and the opening Accounting Standards for Not-for-Profit Organizations statement of financial position at January 1, 2011 (the Foundation's date of transition).

The Foundation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook - Accounting XFI (Accounting XFI). The adoption of Accounting Standards for Not-for-Profit Organizations (ASNFP) results in adjustments to the previously reported assets, liabilities, fund balances, excess of revenue over expenses and cash flows.

In addition to the elective exemptions noted below with respect to statement of financial position at the date of transition and the comparative statements of operations, changes in fund balances and cash flows, the Foundation has elected to use other elective exemptions permissible under Section 1501, First-time Adoption. The Foundation elected to:

- Not retrospectively apply Section 3840, Related Party Transactions for related party transactions that occurred prior to the date of transition. Accordingly, there is no adjustment to the assets or liabilities recognized in a previous related party transaction. Applying this elective exemption has resulted in no change to assets and fund balances at the date of transition.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (CONT'D)

- Not retrospectively apply Section 3856, Financial Instruments for non-derivative financial instruments if the financial asset or financial liability has been derecognized prior to the date of transition. Accordingly, there is no adjustment to the assets or liabilities recognized in a previous transaction involving a non-derivative financial instrument that does not exist at the date of transition. Applying this elective exemption has resulted in no change to assets, liabilities and fund balances at the date of transition.

The effect to the opening statement of financial position as at January 1, 2011 (date of transition) of adopting Accounting Standards for Not-for-Profit Organizations retrospectively is as follows:

	Accounting XFI	Transition adjustments	ASNFP
ASSETS			
Current assets			
Cash	\$ 3,137,010	\$ —	\$ 3,137,010
Investments	2,105,626	—	2,105,626
Accounts receivable	12,265	—	12,265
Inventory, retail outlet	40,104	—	40,104
Prepaid expenses	6,634	—	6,634
	5,301,639	—	5,301,639
Investments	2,336,989	—	2,336,989
Capital assets	8,936	—	8,936
	\$ 7,647,564	\$ —	\$ 7,647,564
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$ 50,715	\$ —	\$ 50,715
Deferred revenue	2,100	—	2,100
Due to Cape Breton District Health Authority	148,515	—	148,515
	201,330	—	201,330
FUND BALANCES			
Unrestricted	1,816,902	—	1,816,902
Internally restricted	1,815,180	—	1,815,180
Restricted	3,805,216	—	3,805,216
Invested in capital assets	8,936	—	8,936
	7,446,234	—	7,446,234
	\$ 7,647,564	\$ —	\$ 7,647,564

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

2. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS (CONT'D)

The effect of adopting ASNFP retrospectively to the statement of operations for the year ended December 31, 2011 previously reported in accordance with CICA Handbook – Accounting XFI is as follows:

	Accounting XFI	Transition adjustments	ASNFP
REVENUES			
Annual campaign	\$ 702,516	\$ –	\$ 702,516
Planned and major gifts	1,652,230	–	1,652,230
Capital campaign	565,707	–	565,707
Investment income	–	149,813	149,813
Interest	133,714	(133,714)	–
Grants	103,225	–	103,225
Other	42,018	–	42,018
Gain on sale of investments	89,972	(89,972)	–
Business operations, net of direct expenses	1,422,315	–	1,422,315
Special events, net of direct expenses	126,340	–	126,340
	4,838,037	(73,873)	4,764,164
EXPENSES			
Fundraising			
Annual campaign	217,723	–	217,723
Planned giving	5,325	–	5,325
Administrative			
Administration	326,463	–	326,463
Amortization	1,176	–	1,176
Donor/volunteer recognition	11,450	–	11,450
Public relations	28,026	–	28,026
	590,163	–	590,163
Appropriations to Cape Breton District Health Authority			
Business operations	1,258,359	–	1,258,359
Pediatrics	10,878	–	10,878
Equipment	458,494	–	458,494
Cancer treatment centre	2,124,445	–	2,124,445
	4,442,339	–	4,442,339
EXCESS OF REVENUES OVER EXPENSES	\$ 395,698	\$ (73,873)	\$ 321,825

There were no adjustments to the previously reported fund balances or cash flows.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

3. INVESTMENTS

		2012		2011	
		Fair		Fair	
	Cost	market value	Cost	market value	
Short-term					
Fixed income	\$ 300,000	\$ 307,771	\$ 188,320	\$ 188,320	
Money market	10,000	10,236	130,913	131,122	
Equities	1,278,052	1,350,619	808,931	887,775	
	1,588,052	1,668,626	1,128,164	1,207,217	
Long-term					
Cash	9,328	9,328	965,954	965,954	
Fixed income	200,000	204,613	500,000	503,630	
Equities	3,846,663	4,105,152	2,079,801	2,282,223	
	4,055,991	4,319,093	3,545,755	3,751,807	
	\$ 5,644,043	\$ 5,987,719	\$4,673,919	\$ 4,959,024	

4. ACCOUNTS RECEIVABLE

	2012	2011
General Fund		
Harmonized sales tax	\$ 12,447	\$ 7,997
Other	6,493	32,074
	18,940	40,071
Restricted Fund		
Accrued interest	3,630	—
	\$ 22,570	\$ 40,071

5. INVENTORY, RELATED OUTLET

In February 2012, Fancies Gift Shop permanently ceased operations for business reasons.

6. CAPITAL ASSETS

		2012		2011	
	Cost	Accumulated amortization	Net book value	Net book value	
Equipment and fixtures	\$ 33,493	\$ 30,213	\$ 3,280	\$ 4,177	
Leaseholds	23,872	2,388	21,484	—	
Furniture	11,376	10,888	488	728	
	\$ 68,741	\$ 43,489	\$ 25,252	\$ 4,905	

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes government remittances payable of \$11,721 (2011 - \$10,765).

8. RESTRICTED FUND BALANCES

Major categories of the restricted fund balance are as follows:

	2012	2011
Restricted funds		
Restricted for Foundation CCPC Fund	\$ 142,005	\$ 107,858
Restricted for cancer treatment centre	1,837,270	1,231,461
Restricted for pediatrics	85,386	123,875
Restricted for TLC/NICU	7,567	2,041
Restricted for equipment	466,634	494,600
Other restrictions	631,784	489,198
Total restricted funds	\$ 3,170,646	\$ 2,449,033

9. INVESTMENT IN CAPITAL ASSETS

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

	2012	2011
Capital assets	\$ 25,252	\$ 4,905

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

	2012	2011
Net change in investment in capital assets:		
Purchase of capital assets	\$ 23,872	\$ -
Amortization of capital assets in General Fund	(3,324)	(4,031)
Loss on disposal of capital assets	(201)	-
Net change in net assets	\$ 20,347	\$ (4,031)

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

10. 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.

11. INVESTMENT INCOME

	2012	2011
Interest	\$ 229,358	\$ 133,714
Gain on sale of investments	88,397	89,972
Unrealized gain (loss) from change in fair market value of investments	203,535	(73,873)
Cost adjustment	(10,978)	–
	<u>\$ 510,312</u>	<u>\$ 149,813</u>

12. SPECIAL EVENTS

	2012	2011
Revenue		
Festival of the Greens	\$ 111,770	\$ 122,972
Viva Las Vegas	70,935	62,027
Golf tournament	43,302	29,520
Zoomba	–	12,255
Candy Cane Gala	–	9,120
	<u>226,007</u>	<u>235,894</u>
Expenses		
Festival of the Greens	52,756	58,659
Viva Las Vegas	27,331	30,470
Golf tournament	28,504	8,394
Zoomba	–	7,040
Candy Cane Gala	–	4,991
	<u>108,591</u>	<u>109,554</u>
Special events net income	<u>\$ 117,416</u>	<u>\$ 126,340</u>

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

13. ALLOCATED EXPENSES

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

	2012	2011
Fundraising	\$ 27,535	\$ 25,478
Administrative	79,087	63,326
Business operations	44,254	26,431
	<u>\$ 150,876</u>	<u>\$ 115,235</u>

14. 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:

	2012	2011
Payments to the Foundation		
Volunteer and mental health parking	\$ 30,761	\$ 24,463
Payments to CBDHA		
Glace Bay, New Waterford and North Sydney parking	515,375	403,598
Cape Breton Regional Hospital parking	964,200	854,761
Transfers to CBDHA for equipment purchases	663,307	469,372
Transfers to CBDHA for cancer treatment centre	16,678	2,124,445

Transactions are recorded at exchange amount.

In addition to the above transactions, CBDHA provides space to the Foundation at no charge. The space is used for offices and contained its gift shop until February 2012.

15. 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.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

16. COMMITMENT

The Foundation rents office space at the Health Park. Current minimum annual lease payments are \$33,270. Lease term is ten years.

17. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and includes the following significant risk at December 31, 2012.

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 marketable securities and investments are dependent on market interest rates. The value of the security itself could also fluctuate, resulting in losses recognized in the statement of operations. However, the Foundation's overall investing policy is not high risk, so fluctuations would likely be minimal.

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

18. COMPARATIVE FIGURES

Certain 2011 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, 2012, with comparative figures for 2011

	2012			2011
	Gift Shop	Parking	Total	Total
REVENUE	\$ 40,420	\$ 1,725,301	\$ 1,765,721	\$ 1,762,847
COST OF SALES				
Inventory, beginning of year	30,175	—	30,175	40,104
Purchases	12,708	—	12,708	228,696
	42,883	—	42,883	268,800
Inventory, end of year	—	—	—	30,175
	42,883	—	42,883	238,625
	(2,463)	1,725,301	1,722,838	1,524,222
EXPENDITURES				
Operating and administrative	290	115,730	116,020	100,006
Amortization	2,388	—	2,388	2,855
	2,678	115,730	118,408	102,861
OTHER INCOME	—	—	—	954
Net business operation results	\$ (5,141)	\$ 1,609,571	\$ 1,604,430	\$ 1,422,315

