

Financial Statements of

**CAPE BRETON REGIONAL
HOSPITAL FOUNDATION**

Year ended December 31, 2015

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Financial Statements

Year ended December 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Chairperson 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, 2015 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, 2015 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 31, 2016

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Financial Position

December 31, 2015, with comparative figures for 2014

	2015				2014	
	General Fund	Restricted Fund	Endowment Fund	V.J. Harriss Endowment Fund	Capital Fund	Total
ASSETS						
Current assets						
Cash	\$ 232,521	\$ 2,352,897	\$ -	\$ -	\$ -	\$ 2,585,418
Investments (note 2)	-	2,925,619	-	-	-	2,925,619
Accounts receivable (note 3)	62,069	-	-	-	-	62,069
Prepaid expenses	8,883	-	-	-	-	8,883
	303,473	5,278,516	-	-	-	5,581,989
Investments (note 2)	-	-	-	5,146,313	-	5,146,313
Capital assets (note 4)	-	-	-	-	8,974	8,974
	\$ 303,473	\$ 5,278,516	\$ -	\$ 5,146,313	\$ 8,974	\$ 10,737,276
						\$ 11,632,758
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (note 5)	\$ 68,944	\$ -	\$ -	\$ -	\$ -	\$ 68,944
Deferred revenue	546	-	-	-	-	546
Current portion of long-term debt	14,121	-	-	-	-	14,121
Due to Nova Scotia Health Authority	85,203	-	-	-	-	85,203
	168,814	-	-	-	-	168,814
Long-term debt (note 6)	-	-	-	-	-	-
	168,814	-	-	-	-	168,814
FUND BALANCES						
Unrestricted						
V.J. Harriss Endowment Fund	134,659	-	-	-	-	134,659
Restricted (note 7)	-	5,278,516	-	5,146,313	-	5,146,313
Invested in capital assets (note 8)	-	-	-	-	8,974	8,974
	134,659	5,278,516	-	5,146,313	8,974	10,568,462
	\$ 303,473	\$ 5,278,516	\$ -	\$ 5,146,313	\$ 8,974	\$ 10,737,276
						\$ 11,632,758

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, 2015, with comparative figures for 2014

	2015						2014				
	General Fund	Restricted Fund	Endowment Fund	V.J. Harriss Endowment Fund	Capital Fund	Total Funds	General Fund	Restricted Funds	V.J. Harriss Endowment Fund	Capital Fund	Total
REVENUES											
Annual campaign	\$ 165,846	\$ 910,747	\$ -	\$ -	\$ -	\$ 1,076,593	\$ 541,187	\$ 297,471	\$ -	\$ -	\$ 838,658
Planned and major gifts	-	626,199	-	-	-	626,199	772,758	356,988	-	-	1,129,746
Capital campaign	-	112,985	-	-	-	112,985	-	417,260	-	-	417,260
Investment income	-	-	-	-	-	-	-	-	-	-	-
(loss) (note 10)	(436,603)	(279,169)	-	-	-	(715,772)	360,748	70,263	-	-	431,011
Other	27,397	-	-	-	-	27,397	50,091	-	-	-	50,091
Business operations, net of direct expenses	-	-	-	-	-	-	124,188	-	-	-	124,188
Special events, net of direct expenses (note 11)	271,975	-	-	-	-	271,975	158,116	-	-	-	158,116
	28,615	1,370,762	-	-	-	1,399,377	2,007,088	1,141,982	-	-	3,149,070
EXPENSES											
Fundraising											
Direct expenses	351,204	-	-	-	-	351,204	287,717	-	-	-	287,717
Administrative											
Administration	433,457	-	-	-	-	433,457	419,419	-	-	-	419,419
Amortization	24,685	-	-	-	-	24,685	24,873	-	-	-	24,873
Appropriations on behalf of Nova Scotia Health Authority	809,346	-	-	-	-	809,346	732,009	-	-	-	732,009
Business operations											
Patient care/support	-	470,502	-	-	-	-	113,355	-	-	-	113,355
Equipment	-	646,995	-	-	-	-	-	555,866	-	-	555,866
Facility enhancements	-	270,400	-	-	-	-	10,959	341,405	-	-	352,364
	-	1,387,897	-	-	-	1,387,897	124,314	1,451,821	75,000	-	629,550
Appropriations to other organizations	26,800	-	-	-	-	26,800	-	75,000	-	-	75,000
	26,600	1,387,897	-	-	-	1,414,697	124,314	1,526,821	75,000	-	1,726,135
	836,146	1,387,897	-	-	-	2,224,043	856,323	1,526,821	75,000	-	2,458,144
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (807,531)	\$ (17,135)	\$ -	\$ -	\$ -	\$ (824,666)	\$1,150,765	\$ (384,839)	\$ (75,000)	\$ -	\$ 690,926

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2015, with comparative figures for 2014

	2015						2014				
	General Fund	Restricted Fund	Endowment Fund	V. J. Harriss Endowment Fund	Capital Fund	Total	General Fund	Restricted Funds	V. J. Harriss Endowment Fund	Capital Fund	Total
FUND BALANCE, BEGINNING OF YEAR	\$ 798,106	\$ 4,833,951	\$ 99,922	\$ 5,627,490	\$ 33,659	\$ 11,393,128	\$ 1,207,035	\$ 4,873,696	\$ 4,601,931	\$ 19,540	\$ 10,702,202
Excess (deficiency) of revenues over expenses	(807,531)	(17,135)	-	-	-	(824,666)	1,150,765	(384,839)	(75,000)	-	690,926
Interfund transfers	119,399	461,700	(99,922)	(481,177)	-	-	(1,545,575)	445,016	1,100,559	-	-
Net change in investment in capital assets (note 8)	24,685	-	-	-	(24,685)	-	(14,119)	-	-	14,119	-
FUND BALANCE, END OF YEAR	\$ 134,659	\$ 5,278,516	\$ -	\$ 5,146,313	\$ 8,974	\$ 10,568,462	\$ 798,106	\$ 4,933,873	\$ 5,627,490	\$ 33,659	\$ 11,393,128

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended December 31, 2015, with comparative figures for 2014

	2015	2014
CASH FLOW FROM OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ (824,666)	\$ 690,926
Items not involving cash		
Amortization	24,685	24,873
Loss (gain) on sale of investments	210,526	(154,877)
Unrealized loss from change in fair market value of investments	938,578	102,063
Change in non-cash operating working capital		
Increase in accounts receivables	(26,748)	(9,087)
Increase in prepaid expenses	(1,746)	(6,496)
Increase (decrease) in accounts payable and accrued liabilities	(20,234)	47,683
Increase (decrease) in deferred revenue	(8,908)	9,454
Decrease in due to Nova Scotia Health Authority	(27,553)	(391,871)
	<u>263,934</u>	<u>312,668</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	–	38,992
Payment on long-term debt	(14,121)	(10,750)
	<u>(14,121)</u>	<u>28,242</u>
CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of capital assets	–	(38,992)
Increase in investments	(439,374)	(762,180)
	<u>(439,374)</u>	<u>(801,172)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	<u>(189,561)</u>	<u>(460,262)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,774,979	3,235,241
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,585,418</u>	<u>\$ 2,774,979</u>

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2015

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 Nova Scotia 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, 2015

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

Measurement of 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, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, due to Nova Scotia Health Authority and long-term debt.

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.

Unless otherwise noted, the Foundation is not subject to significant credit, market or liquidity risks arising from these instruments.

(f) Capital assets

Capital assets are stated at cost less accumulated amortization. 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

In addition to its own administrative duties, the Foundation also engages in fundraising activities. For part of the prior year, the Foundation also managed a business venture. 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 and fundraising.

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, 2015

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

		2015		2014	
		Cost	Fair market value	Cost	Fair market value
Short-term					
Fixed income	\$	–	\$	200,000	\$ 212,447
Equities		2,934,525	2,925,619	2,628,832	2,941,725
		2,934,525	2,925,619	2,828,832	3,154,172
Long-term					
Cash		118,932	118,932	78,468	78,468
Equities		4,960,341	5,027,381	4,874,202	5,549,022
		5,079,273	5,146,313	4,952,670	5,627,490
	\$	8,013,798	\$ 8,071,932	\$7,781,502	\$ 8,781,662

3. ACCOUNTS RECEIVABLE

		2015	2014
General Fund			
Harmonized sales tax		\$ 20,211	\$ 20,220
Accrued interest		5,300	1,149
Other		36,558	13,952
	\$	62,069	\$ 35,321

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2015

4. CAPITAL ASSETS

			2015	2014
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and fixtures	\$ 72,485	\$ 70,806	\$ 1,679	\$ 21,555
Leaseholds	23,872	16,713	7,159	11,934
Furniture	11,376	11,240	136	170
	\$ 107,733	\$ 98,759	\$ 8,974	\$ 33,659

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes government remittances payable of \$15,468 (2014 - \$10,648).

6. LONG-TERM DEBT

	2015	2014
RCAP Leasing		
Loan, repayable in annual instalments of \$14,121, maturing on January 1, 2016, non-interest bearing, unsecured	\$ 14,121	\$ 28,242
Current portion	14,121	14,121
	\$ -	\$ 14,121

Principal payments required to be paid in the next year subsequent to December 31, 2015 is as follows: 2016 - \$14,121.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2015

7. RESTRICTED FUND BALANCES

Major categories of the restricted fund balance are as follows:

	2015	2014
Restricted funds		
Restricted for Foundation CCPC Fund	\$ 167,608	\$ 328,253
Restricted for cancer treatment centre	2,462,753	1,876,146
Restricted for pediatrics	242,640	295,528
Restricted for TLC/NICU	150,539	165,549
Restricted for equipment	416,706	495,777
Other restrictions	1,838,270	1,672,698
	<u>5,278,516</u>	<u>4,833,951</u>
Endowment Fund	–	99,922
Total restricted fund balance	<u>\$ 5,278,516</u>	<u>\$ 4,933,873</u>

8. INVESTMENT IN CAPITAL ASSETS

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

	2015	2014
Capital assets	\$ 8,974	\$ 33,659

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

	2015	2014
Invested in capital assets, beginning of year	\$ 33,659	\$ 19,540
Net change in investment in capital assets:		
Amortization of capital assets in General Fund	(24,685)	(24,873)
Purchase of capital assets	–	38,992
	<u>(24,685)</u>	<u>14,119</u>
Invested in capital assets, end of year	<u>\$ 8,974</u>	<u>\$ 33,659</u>

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2015

9. ENDOWMENT FUNDS

The endowment fund is maintained for the following specific purposes:

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.

During the year, the cancer patient care endowment fund was transferred to the restricted fund at the direction of the donor.

10. INVESTMENT INCOME (LOSS)

	2015	2014
Interest, dividends and foreign exchange	\$ 433,332	\$ 378,197
Gain (loss) on sale of investments	(210,526)	154,877
Unrealized loss from change in fair market value of investments	(938,578)	(102,063)
	\$ (715,772)	\$ 431,011

11. SPECIAL EVENTS

	2015	2014
Revenues		
Festival of the Greens	\$ 177,095	\$ 130,253
NHL Legends Maritime Tour	87,841	–
Because You Care Cup	87,748	54,425
Golf tournament	50,233	62,343
	402,917	247,021
Expenses		
Festival of the Greens	54,745	52,431
NHL Legends Maritime Tour	47,612	–
Because You Care Cup	18,732	11,796
Golf tournament	9,853	24,678
	130,942	88,905
Special events net income	\$ 271,975	\$ 158,116

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2015

12. ALLOCATED EXPENSES

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

	2015	2014
Fundraising	\$ 58,376	\$ 54,904
Administrative	118,520	111,473
	<u>\$ 176,896</u>	<u>\$ 166,377</u>

13. RELATED PARTY TRANSACTIONS

The Foundation is considered related to the Nova Scotia Health Authority (NSHA) due to the nature of the specific purpose of the Foundation.

The following details the primary transactions between the two organizations:

	2015	2014
Payments to the Foundation		
Volunteer and mental health parking	\$ -	\$ 765
Payments to NSHA		
Glace Bay, New Waterford and North Sydney parking	-	27,014
Cape Breton Regional Hospital parking	-	86,340
Transfers to NSHA for patient care/support, equipment and facility enhancements	1,415,450	1,427,619

Transactions are recorded at exchange amount.

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

Management of parking operations transferred to NSHA as of February, 2014.

During 2015, the Foundation entered into partnership agreements with the New Waterford Consolidated Hospital Foundation and Glace Bay General Hospital Charitable Foundation. These partnership agreements specify how joint fundraising activities amongst the Foundations will be coordinated.

As of December 31, 2015, included in accounts payable and accrued liabilities is \$26,800 owing to these Foundations.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2015

14. OTHER MATTERS

The Foundation has been named as a beneficiary of an Estate from which it received \$Nil in 2015 (2014 - \$772,758), for a total principal of \$4,384,551 since 2010.

15. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and includes the following significant risk at December 31, 2015.

i) 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.

ii) 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.