

Financial Statements of

**CAPE BRETON REGIONAL  
HOSPITAL FOUNDATION**

Year ended December 31, 2018



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## INDEPENDENT AUDITORS' REPORT

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

### **Qualified Opinion**

We have audited the financial statements of Cape Breton Regional Hospital Foundation, which comprise the statement of financial position as at December 31, 2018, and the statement of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### **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.

### **Responsibility of Management and Those Charged with Governance 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.

In preparing financial statements, management is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation's financial reporting process.

### **Auditors' Responsibility for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

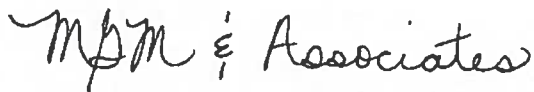
Cape Breton Regional Hospital Foundation  
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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

A handwritten signature in black ink that reads 'MGM & Associates'.

Chartered Professional Accountants  
Licensed Public Accountants

Sydney, Canada  
March 28, 2019

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Financial Position

December 31, 2018, with comparative figures for 2017

	2018				2017	
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	Total
<b>ASSETS</b>						
Current assets						
Cash	\$ -	\$ 2,372,826	\$ -	\$ -	\$ 2,372,826	\$ 2,204,210
Due from general fund	-	236,623	-	-	236,623	698,145
Investments (note 2)	-	4,254,424	-	-	4,254,424	3,826,605
Accounts receivable (note 3)	34,745	35,000	-	-	69,745	206,744
Prepaid expenses	26,129	-	-	-	26,129	11,604
	60,874	6,898,873	-	-	6,959,747	6,947,308
Investments (note 2)	-	-	5,740,160	-	5,740,160	6,824,938
Capital assets (note 4)	-	-	-	859	859	1,074
	\$ 60,874	\$ 6,898,873	\$ 5,740,160	\$ 859	\$ 12,700,766	\$ 13,773,320
<b>LIABILITIES</b>						
Current liabilities						
Accounts payable and accrued liabilities (note 5)	\$ 67,612	\$ -	\$ -	\$ -	\$ 67,612	\$ 87,152
Due to restricted fund	236,623	-	-	-	236,623	698,145
Deferred revenue	1,092	-	-	-	1,092	1,348
Due to Nova Scotia Health Authority	-	69,041	-	-	69,041	100,957
	305,327	69,041	-	-	374,368	887,602
	(244,453)	-	-	-	(244,453)	(851,754)
Unrestricted Restricted (note 6)	-	6,829,832	-	-	6,829,832	6,911,460
Endowment (note 7)	-	-	5,740,160	-	5,740,160	-
V.J. Harris Endowment Fund	-	-	-	-	-	6,824,938
Invested in capital assets (note 8)	-	-	-	859	859	1,074
	(244,453)	6,829,832	5,740,160	859	12,326,398	12,885,718
	\$ 60,874	\$ 6,898,873	\$ 5,740,160	\$ 859	\$ 12,700,766	\$ 13,773,320

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, 2018, with comparative figures for 2017

	2018					2017				
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	General Fund	Restricted Fund	V.J. Harris Endowment Fund	Capital Fund	Total
<b>DONATIONS AND EVENT REVENUE</b>										
Annual campaign	\$ 195,367	\$ 957,443	\$ -	\$ -	\$ 1,152,810	\$ 138,441	\$ 908,933	\$ -	\$ -	\$ 1,047,374
Planned and major gifts	199,188	352,890	252,517	-	804,595	-	798,779	-	-	798,779
Special events, net of direct expenses (note 9)	150,604	-	-	-	150,604	153,900	-	-	-	153,900
	545,159	1,310,333	252,517	-	2,108,009	292,341	1,707,712	-	-	2,000,053
<b>EXPENSES</b>										
Fundraising										
Direct expenses	342,938	-	-	-	342,938	318,886	-	-	-	318,886
Administrative	541,597	-	-	-	541,597	465,902	-	-	-	465,902
Administration	-	-	-	215	215	-	-	-	2,654	2,654
Amortization	884,535	-	-	215	884,750	784,798	-	-	2,654	787,442
Appropriations on behalf of Nova Scotia Health Authority										
Patient care/support	80,080	639,583	-	-	719,663	-	502,941	-	-	502,941
Equipment	-	273,141	-	-	273,141	-	469,552	-	-	469,552
Facility enhancements	-	19,124	-	-	19,124	-	397,857	-	-	397,857
	80,080	931,848	-	-	1,011,928	-	1,370,350	-	-	1,370,350
Appropriations to other organizations	-	10,135	-	-	10,135	44,018	-	-	-	44,018
	964,615	941,983	-	215	1,906,813	828,806	1,370,350	-	2,654	2,201,810
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE UNDERNOTED</b>	(419,456)	368,350	252,517	(215)	201,196	(539,465)	337,362	-	(2,654)	(201,757)
<b>INVESTMENT INCOME (LOSS)</b>										
Interest, dividends and foreign exchange	32,166	142,989	233,270	-	408,425	346,328	156,457	-	-	502,785
Gain (loss) on sale of investments	-	40,394	65,254	-	105,648	(9,555)	(5,902)	-	-	(15,457)
Unrealized gain (loss) from change in fair market value of investments	-	(453,472)	(821,117)	-	(1,274,589)	404,951	195,121	-	-	600,072
	32,166	(270,089)	(522,593)	-	(760,516)	741,724	345,676	-	-	1,087,400
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	\$ (387,290)	\$ 98,261	\$ (270,076)	\$ (215)	\$ (559,320)	\$ 205,259	\$ 683,038	\$ -	\$ (2,654)	\$ 885,643

See accompanying notes to financial statements.

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2018, with comparative figures for 2017

	2018					2017					
	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
<b>FUND BALANCE, BEGINNING OF YEAR</b>	\$ (851,754)	\$ 6,911,460	\$ -	\$ 6,824,938	\$ 1,074	\$ 12,885,718	\$ (687,906)	\$ 6,315,730	\$ 6,368,523	\$ 3,728	\$ 12,000,075
Transfer fund balance (note 7)	-	-	6,824,938	(6,824,938)	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenses	(387,290)	98,261	(270,076)	-	(215)	(559,320)	205,259	683,038	-	(2,654)	885,643
Interfund transfers	994,591	(179,889)	(814,702)	-	-	-	(369,107)	(87,308)	456,415	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ (244,453)	\$ 6,829,832	\$ 5,740,160	\$ -	\$ 859	\$ 12,326,398	\$ (851,754)	\$ 6,911,460	\$ 6,824,938	\$ 1,074	\$ 12,885,718

See accompanying notes to financial statements.

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

## Statement of Cash Flows

Year ended December 31, 2018, with comparative figures for 2017

	2018	2017
<b>CASH FLOW FROM OPERATIONS</b>		
Excess (deficiency) of revenues over expenses	\$ (559,320)	\$ 885,643
Items not involving cash		
Amortization	215	2,654
Loss (gain) on sale of investments	(105,648)	15,457
Unrealized loss (gain) from change in fair market value of investments	1,274,589	(600,072)
Change in non-cash operating working capital		
Decrease in accounts receivables	136,999	419,609
Increase in prepaid expenses	(14,525)	(1,678)
Decrease in accounts payable and accrued liabilities	(19,540)	(17,170)
Increase (decrease) in deferred revenue	(256)	338
Increase (decrease) in due to Nova Scotia Health Authority	(31,916)	73,528
	680,598	778,309
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Increase in investments	(511,982)	(892,260)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	168,616	(113,951)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	2,204,210	2,318,161
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 2,372,826	\$ 2,204,210

See accompanying notes to financial statements.

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

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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) Endowment fund

The endowment fund reports assets, liabilities, revenues and expenses related to contributions for which the donor specifies that the resources be maintained permanently.



# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

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## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) V. J. Harriss endowment fund

For 2017, 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.

### (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.

Endowment contributions are recognized as revenue in the endowment fund when received.

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 the endowment fund are reported in the endowment fund.

Revenue from 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.

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

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and due to Nova Scotia 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.

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. 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.

### (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.

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

## 2. INVESTMENTS

	2018		2017	
	Cost	Fair market value	Cost	Fair market value
Short-term Equities	\$ 4,173,026	\$ 4,254,424	\$ 3,298,666	\$ 3,826,605
Long-term Cash	–	–	96,998	96,998
Long-term Equities	5,455,622	5,740,160	5,615,476	6,727,940
	5,455,622	5,740,160	5,712,474	6,824,938
	\$ 9,628,648	\$ 9,994,584	\$ 9,011,140	\$10,651,543

## 3. ACCOUNTS RECEIVABLE

	2018	2017
General Fund		
Harmonized sales tax	\$ 29,183	\$ 19,534
Accrued interest	5,441	4,589
Other	121	121
	34,745	24,244
Restricted fund		
Planned and major gifts	35,000	182,500
	\$ 69,745	\$ 206,744

## 4. CAPITAL ASSETS

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and fixtures	\$ 72,485	\$ 71,626	\$ 859	\$ 1,074
Leaseholds	23,872	23,872	–	–
Furniture	11,376	11,376	–	–
	\$ 107,733	\$ 106,874	\$ 859	\$ 1,074

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes government remittances payable of \$10,702 (2017 - \$12,994).

## 6. RESTRICTED FUND BALANCES

Major categories of the restricted fund balance are as follows:

	2018	2017
Restricted funds		
Restricted for Foundation CCPC Fund	\$ 854,479	\$ 625,764
Restricted for cancer treatment centre	2,071,496	2,046,577
Restricted for pediatrics	263,921	289,464
Restricted for TLC/NICU	193,722	211,016
Restricted for equipment	1,505,687	1,469,837
Other restrictions	1,940,527	2,268,802
<b>Total restricted fund balance</b>	<b>\$ 6,829,832</b>	<b>\$ 6,911,460</b>

## 7. ENDOWMENT FUND

	2018
Endowment funds	
V.J. Harriss Endowment Fund	\$ 5,512,302
Caleb's Courage Endowment Fund	213,763
Other endowments	14,095
	<b>\$ 5,740,160</b>

The endowment funds are maintained for the following specific purpose:

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.

Caleb's Courage Endowment Fund – Income from assets endowed in this fund are used for the Pediatrics Unit at the Cape Breton Regional Hospital as approved by the donors.

Other endowments – Income from assets endowed in this fund are used for the areas of greatest need as approved by the Board.

In past years, the V. J. Harriss Endowment Fund was treated as an internally restricted fund. During the current year, the Foundation received additional direction as to the intention of the fund by the executors of the estate to keep the contributions as an endowment.

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

## 8. INVESTMENT IN CAPITAL ASSETS

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

	2018	2017
Capital assets	\$ 859	\$ 1,074

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

	2018	2017
Invested in capital assets, beginning of year	\$ 1,074	\$ 3,728
Net change in investment in capital assets:		
Amortization of capital assets	(215)	(2,654)
Invested in capital assets, end of year	\$ 859	\$ 1,074

## 9. SPECIAL EVENTS

	2018	2017
Revenues		
Festival of the Greens	\$ 172,520	\$ 167,320
Because You Care Cup	56,080	62,672
	228,600	229,992
Expenses		
Festival of the Greens	64,724	59,148
Because You Care Cup	13,272	16,944
	77,996	76,092
Special events net income	\$ 150,604	\$ 153,900

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

## 10. ALLOCATED EXPENSES

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

	2018	2017
Fundraising	\$ 64,100	\$ 80,875
Administrative	130,143	161,093
	\$ 194,243	\$ 241,968

## 11. 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:

	2018	2017
Transfers on behalf of NSHA for patient care/support, equipment and facility enhancements	\$ 1,011,928	\$ 1,370,350

Transactions are recorded at exchange amount.

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

## 12. COMMITMENTS

The Foundation has committed certain restricted funds to fund various needs at the Cape Breton Regional Hospital. At December 31, 2018, these commitments totalled \$2,249,108 (2017 - \$2,522,587).

# CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018

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## 13. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and includes the following significant risk at December 31, 2018.

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.

## 14. COMPARATIVE FIGURES

Certain of the 2017 comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.