

Financial Statements of

**CAPE BRETON REGIONAL
HOSPITAL FOUNDATION**

Year ended December 31, 2014



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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, 2014 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, 2014 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 26, 2015

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Financial Statements

Year ended December 31, 2014

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CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Financial Position

December 31, 2014, with comparative figures for 2013

	V.J. Harriss					2014	2013
	General Fund	Restricted Fund	Endowment Fund	Endowment Fund	Capital Fund	Total	Total
ASSETS							
Current assets							
Cash	\$ 995,278	\$ 1,778,199	\$ 1,502	\$ -	\$ -	\$ 2,774,979	\$ 3,235,241
Investments (note 2)	-	3,055,752	98,420	-	-	3,154,172	3,132,859
Accounts receivable (note 3)	35,321	-	-	-	-	35,321	26,234
Due from Restricted Fund	-	-	-	-	-	-	75,000
Prepaid expenses	7,137	-	-	-	-	7,137	641
	1,037,736	4,833,951	99,922	-	-	5,971,609	6,469,975
Investments (note 2)	-	-	-	5,627,490	-	5,627,490	4,833,809
Capital assets (note 4)	-	-	-	-	33,659	33,659	19,540
	\$ 1,037,736	\$ 4,833,951	\$ 99,922	\$ 5,627,490	\$ 33,659	\$ 11,632,758	\$ 11,323,324
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities (note 5)	\$ 89,178	\$ -	\$ -	\$ -	\$ -	\$ 89,178	\$ 41,495
Deferred revenue	9,454	-	-	-	-	9,454	-
Current portion of long-term debt	14,121	-	-	-	-	14,121	-
Due to Cape Breton District Health Authority	112,756	-	-	-	-	112,756	504,627
Due to V. J. Harriss Endowment Fund	-	-	-	-	-	-	75,000
	225,509	-	-	-	-	225,509	621,122
Long-term debt (note 6)	14,121	-	-	-	-	14,121	-
	239,630	-	-	-	-	239,630	621,122
FUND BALANCES							
Unrestricted	798,106	-	-	-	-	798,106	1,207,035
V.J. Harriss Endowment Fund	-	-	-	5,627,490	-	5,627,490	4,601,931
Restricted (note 7)	-	4,833,951	99,922	-	-	4,933,873	4,873,696
Invested in capital assets (note 8)	-	-	-	-	33,659	33,659	19,540
	798,106	4,833,951	99,922	5,627,490	33,659	11,393,128	10,702,202
	\$ 1,037,736	\$ 4,833,951	\$ 99,922	\$ 5,627,490	\$ 33,659	\$ 11,632,758	\$ 11,323,324

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, 2014, with comparative figures for 2013

	2014										2013	
	General Fund	Restricted Fund	Endowment Fund	Total Funds	V.J. Harriss Endowment Fund	Capital Fund	Total Funds	General Fund	Restricted Funds	V.J. Harriss Endowment Fund	Capital Fund	Total
REVENUES												
Annual campaign	\$ 541,187	\$ 297,471	\$ -	\$ 297,471	\$ -	\$ -	\$ 838,658	\$ 171,976	\$ 598,906	\$ -	\$ -	\$ 770,882
Planned and major gifts	772,758	356,988	-	356,988	-	-	1,129,746	3,505	999,720	-	-	1,003,225
Capital campaign	-	417,260	-	417,260	-	-	417,260	-	276,766	-	-	276,766
Investment income (note 10)	360,748	68,012	2,251	70,263	-	-	431,011	623,731	378,259	-	-	1,001,990
Other	50,091	-	-	-	-	-	50,091	50,798	-	-	-	50,798
Business operations, net of direct expenses (schedule)	124,188	-	-	-	-	-	124,188	1,613,578	-	-	-	1,613,578
Special events, net of direct expenses (note 11)	158,116	-	-	-	-	-	158,116	182,448	-	-	-	182,448
	2,007,088	1,139,731	2,251	1,141,982	-	-	3,149,070	2,646,036	2,253,651	-	-	4,899,687
EXPENSES												
Fundraising												
Direct expenses	287,717	-	-	-	-	-	287,717	287,832	-	-	-	287,832
Administrative	419,419	-	-	-	-	-	419,419	384,260	-	-	-	384,260
Amortization	24,873	-	-	-	-	-	24,873	5,712	-	-	-	5,712
	732,009	-	-	-	-	-	732,009	677,804	-	-	-	677,804
Appropriations on behalf of Cape Breton District Health Authority												
Business operations	113,355	-	-	-	-	-	113,355	1,497,433	-	-	-	1,497,433
Patient care/support	-	555,866	-	555,866	-	-	555,866	-	166,409	-	-	166,409
Equipment	10,959	341,405	-	341,405	-	-	352,364	115,181	701,005	-	-	816,186
Facility enhancements	-	554,550	-	554,550	75,000	-	629,550	-	48,256	-	-	48,256
	124,314	1,451,821	-	1,451,821	75,000	-	1,651,135	1,612,614	915,670	-	-	2,528,284
Appropriations to other organizations	-	75,000	-	75,000	-	-	75,000	-	-	-	-	-
	124,314	1,526,821	-	1,526,821	75,000	-	1,726,135	1,612,614	915,670	-	-	2,528,284
	856,323	1,526,821	-	1,526,821	75,000	-	2,458,144	2,290,418	915,670	-	-	3,206,088
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ 1,150,765	\$ (387,090)	\$ 2,251	\$ (384,839)	\$ (75,000)	\$ -	\$ 690,926	\$ 355,618	\$ 1,337,981	\$ -	\$ -	\$ 1,693,599

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2014, with comparative figures for 2013

	2014						2013		
	General Fund	Restricted Fund	Endowment Fund	V. J. Harriss Endowment Fund	Capital Fund	Total	General Fund	Capital Fund	Total
FUND BALANCE, BEGINNING OF YEAR	\$ 1,207,035	\$ 4,776,025	\$ 97,671	\$ 4,601,931	\$ 19,540	\$ 10,702,202	\$ 1,712,849	\$ 4,026,180	\$ 9,021,603
Excess (deficiency) of revenues over expenses	1,150,765	(387,090)	2,251	(75,000)	-	690,926	355,618	-	1,693,599
Interfund transfers	(1,545,575)	445,016	-	1,100,559	-	-	(867,144)	588,751	-
Investment adjustment	-	-	-	-	-	-	-	(13,000)	(13,000)
Net change in investment in capital assets (note 8)	(14,119)	-	-	-	14,119	-	5,712	-	(5,712)
FUND BALANCE, END OF YEAR	\$ 798,106	\$ 4,833,951	\$ 99,922	\$ 5,627,490	\$ 33,659	\$ 11,393,128	\$ 1,207,035	\$ 4,601,931	\$ 10,702,202

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
CASH FLOW FROM OPERATIONS		
Excess of revenues over expenses	\$ 690,926	\$ 1,693,599
Items not involving cash		
Amortization	24,873	5,712
Loss (gain) on sale of investments	(154,877)	53,465
Unrealized loss (gain) from change in fair market value of investments	102,063	(755,950)
Donation/adjustment of investments	-	(13,000)
Change in non-cash operating working capital		
Increase in accounts receivables	(9,087)	(3,664)
Increase in prepaid expenses	(6,496)	(5)
Increase (decrease) in accounts payable and accrued liabilities	47,683	(11,513)
Increase (decrease) in deferred revenue	9,454	(2,338)
Increase (decrease) in due to Cape Breton District Health Authority	(391,871)	296,585
	312,668	1,262,891
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	38,992	-
Payment on long-term debt	(10,750)	-
	28,242	-
CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of capital assets	(38,992)	-
Increase in investments	(762,180)	(1,276,464)
	(801,172)	(1,276,464)
DECREASE IN CASH AND CASH EQUIVALENTS	(460,262)	(13,573)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,235,241	3,248,814
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,774,979	\$ 3,235,241

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

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, 2014

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, 2014

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 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

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, 2014

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

	2014		2013	
	Cost	Fair market value	Cost	Fair market value
Short-term				
Fixed income	\$ 200,000	\$ 212,447	\$ 300,000	\$ 315,300
Money market	—	—	10,000	10,264
Equities	2,628,832	2,941,725	2,426,489	2,807,295
	2,828,832	3,154,172	2,736,489	3,132,859
Long-term				
Cash	78,468	78,468	14,550	14,550
Fixed income	—	—	200,000	209,208
Equities	4,874,202	5,549,022	3,901,083	4,610,051
	4,952,670	5,627,490	4,115,633	4,833,809
	\$ 7,781,502	\$ 8,781,662	\$ 6,852,122	\$ 7,966,668

3. ACCOUNTS RECEIVABLE

	2014	2013
General Fund		
Harmonized sales tax	\$ 20,220	\$ 3,865
Accrued interest	1,149	9,869
Other	13,952	12,500
	\$ 35,321	\$ 26,234

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

4. CAPITAL ASSETS

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and fixtures	\$ 72,485	\$ 50,930	\$ 21,555	\$ 2,584
Leaseholds	23,872	11,938	11,934	16,708
Furniture	11,376	11,206	170	248
	\$ 107,733	\$ 74,074	\$ 33,659	\$ 19,540

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes government remittances payable of \$10,648 (2013 - \$12,195).

6. LONG-TERM DEBT

	2014	2013
RCAP Leasing		
Loan payable, non-interest bearing, in annual instalments of \$14,121.09 on January 1, unsecured	\$ 28,242	\$ -
Current portion of long-term debt	14,121	-
	\$ 14,121	\$ -

Principal payments required to be paid in each of the next two years subsequent to December 31, 2014 are as follows: 2015 - \$14,121 and 2016 - \$14,121.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

7. RESTRICTED FUND BALANCES

Major categories of the restricted fund balance are as follows:

	2014	2013
Restricted funds		
Restricted for Foundation CCPC Fund	\$ 328,253	\$ -
Restricted for cancer treatment centre	1,876,146	2,238,704
Restricted for pediatrics	295,528	280,572
Restricted for TLC/NICU	165,549	-
Restricted for equipment	495,777	501,307
Other restrictions	1,672,698	1,755,442
	<u>4,833,951</u>	<u>4,776,025</u>
Endowment Fund	99,922	97,671
Total restricted fund balance	<u>\$ 4,933,873</u>	<u>\$ 4,873,696</u>

8. INVESTMENT IN CAPITAL ASSETS

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

	2014	2013
Capital assets	\$ 33,659	\$ 19,540

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

	2014	2013
Invested in capital assets, beginning of year	\$ 19,540	\$ 25,252
Net change in investment in capital assets:		
Amortization of capital assets in General Fund	(24,873)	(5,712)
Purchase of capital assets	38,992	-
	<u>14,119</u>	<u>(5,712)</u>
Invested in capital assets, end of year	<u>\$ 33,659</u>	<u>\$ 19,540</u>

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

9. 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.

10. INVESTMENT INCOME

	2014	2013
Interest	\$ 378,197	\$ 299,505
Gain (loss) on sale of investments	154,877	(53,465)
Unrealized gain (loss) from change in fair market value of investments	(102,063)	755,950
	<u>\$ 431,011</u>	<u>\$ 1,001,990</u>

11. SPECIAL EVENTS

	2014	2013
Revenues		
Festival of the Greens	\$ 130,253	\$ 150,890
Golf tournament	62,343	85,922
Because You Care Cup	54,425	–
Viva Las Vegas	–	74,175
	<u>247,021</u>	<u>310,987</u>
Expenses		
Festival of the Greens	52,431	52,981
Golf tournament	24,678	43,559
Because You Care Cup	11,796	–
Viva Las Vegas	–	31,999
	<u>88,905</u>	<u>128,539</u>
Special events net income	<u>\$ 158,116</u>	<u>\$ 182,448</u>

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

12. ALLOCATED EXPENSES

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

	2014	2013
Fundraising	\$ 54,904	\$ 56,209
Administrative	111,473	147,820
Business operations	-	16,598
	\$ 166,377	\$ 220,627

13. 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:

	2014	2013
Payments to the Foundation		
Volunteer and mental health parking	\$ 765	\$ 26,727
Payments to CBDHA		
Glace Bay, New Waterford and North Sydney parking	27,014	508,579
Cape Breton Regional Hospital parking	86,340	988,854
Transfers to CBDHA for patient care/support, equipment and facility enhancements	1,427,619	1,030,851

Transactions are recorded at exchange amount.

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

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

14. OTHER MATTERS

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

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

15. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and includes the following significant risk at December 31, 2014.

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.

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.

16. COMPARATIVE FIGURES

Certain 2013 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, 2014, with comparative figures for 2013

	2014	2013
REVENUES	\$ 126,794	\$ 1,710,722
EXPENSES		
Operating and administrative	2,606	97,144
Net business operation results	\$ 124,188	\$ 1,613,578