

**CAPE BRETON REGIONAL
HOSPITAL FOUNDATION
Financial Statements**

December 31, 2019

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, 2019, and the statements 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, 2019, 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.

Other Matter

The financial statements of the Foundation for the year ended December 31, 2018 were audited by MGM & Associates, Chartered Professional Accountants of Sydney, Nova Scotia, Canada, prior to its merger with MNP LLP. MGM & Associates, Chartered Professional Accountants expressed a qualified opinion on those statements on March 28, 2019 for the reasons described in the Basis for Qualified Opinion paragraph.

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.

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.

Sydney, Nova Scotia

March 26, 2020

MNP LLP

Chartered Professional Accountants

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Financial Position

December 31, 2019, with comparative figures for 2018

	2019				2018	
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	Total
ASSETS						
Current assets						
Cash	\$ -	\$ 2,104,301	\$ -	\$ -	\$ 2,104,301	\$ 2,372,826
Due from general fund	-	76,074	-	-	76,074	236,623
Investments (note 2)	-	4,608,911	-	-	4,608,911	4,254,424
Accounts receivable (note 3)	41,032	-	-	-	41,032	69,745
Prepaid expenses	21,525	-	-	-	21,525	26,129
	62,557	6,789,286	-	-	6,851,843	6,959,747
Investments (note 2)	-	-	6,492,344	-	6,492,334	5,740,160
Capital assets (note 4)	-	-	-	687	687	859
	\$ 62,557	\$ 6,789,286	\$ 6,492,334	\$ 687	\$ 13,344,864	\$ 12,700,766
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (note 5)	\$ 67,453	\$ -	\$ -	\$ -	\$ 67,453	\$ 67,612
Due to restricted fund	76,074	-	-	-	76,074	236,623
Deferred revenue	4,329	-	-	-	4,329	1,092
Due to Nova Scotia Health Authority	-	109,836	-	-	109,836	69,041
	147,856	109,836	-	-	257,692	374,368
	(85,299)	-	-	-	(85,299)	(244,453)
Restricted (note 6)	-	6,679,450	-	-	6,679,450	6,829,832
Endowment (note 7)	-	-	6,492,334	-	6,492,334	5,740,160
Invested in capital assets (note 8)	-	-	-	687	687	859
	(85,299)	6,679,450	6,492,334	687	13,087,172	12,326,398
	\$ 62,557	\$ 6,789,286	\$ 6,492,334	\$ 687	\$ 13,344,864	\$ 12,700,766

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, 2019, with comparative figures for 2018

	2019					2018				
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total
DONATIONS AND EVENT REVENUE										
Annual campaign	\$ 176,800	\$ 1,314,084	\$ -	\$ -	\$ 1,490,884	\$ 195,367	\$ 957,443	\$ -	\$ -	\$ 1,152,810
Planned and major gifts	220,175	609,244	-	-	829,419	199,188	352,890	252,517	-	804,595
Special events, net of direct expenses (note 9)	186,455	-	-	-	186,455	150,604	-	-	-	150,604
	583,430	1,923,328	-	-	2,506,758	545,159	1,310,333	252,517	-	2,108,009
EXPENSES										
Fundraising										
Direct expenses	419,385	-	-	-	419,385	342,938	-	-	-	342,938
Administrative										
Administration	562,922	-	-	-	562,922	541,597	-	-	-	541,597
Amortization	-	-	-	172	172	-	-	-	215	215
	982,307	-	-	172	982,479	884,535	-	-	215	884,750
Appropriations on behalf of Nova Scotia Health Authority										
Patient care/support	34,668	777,962	-	-	812,630	80,080	639,583	-	-	719,663
Equipment	-	1,303,833	-	-	1,303,833	-	273,141	-	-	273,141
Facility enhancements	-	6,135	-	-	6,135	-	19,124	-	-	19,124
	34,668	2,087,930	-	-	2,122,598	80,080	931,848	-	-	1,011,928
Appropriations to other organizations	-	317,246	-	-	317,246	-	10,135	-	-	10,135
	1,016,975	2,405,176	-	172	3,422,323	964,615	941,983	-	215	1,906,813
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE UNDERNOTED	(433,545)	(481,848)	-	(172)	(915,565)	(419,456)	368,350	252,517	(215)	201,196
INVESTMENT INCOME (LOSS)										
Interest, dividends and foreign exchange	36,876	256,724	352,770	-	646,370	32,166	142,989	233,270	-	408,425
Gain on sale of investments	-	10,126	11,882	-	22,008	-	40,394	65,254	-	105,648
Unrealized gain (loss) from change in fair market value of investments	-	436,405	571,556	-	1,007,961	-	(453,472)	(821,117)	-	(1,274,589)
	36,876	703,255	936,208	-	1,676,339	32,166	(270,089)	(522,593)	-	(760,516)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (396,669)	\$ 221,407	\$ 936,208	\$ (172)	\$ 760,774	\$ (387,290)	\$ 98,261	\$ (270,076)	\$ (215)	\$ (559,320)

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2019, with comparative figures for 2018

	2019					2018					
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	General Fund	Restricted Fund	Endowment Fund	V.J. Harriss Endowment Fund	Capital Fund	Total
FUND BALANCE, BEGINNING OF YEAR	\$ (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
Transfer fund balance (note 7)	-	-	-	-	-	-	-	6,824,938	(6,824,938)	-	-
Excess (deficiency) of revenues over expenses	(396,669)	221,407	936,208	(172)	760,774	(387,290)	98,261	(270,076)	-	(215)	(559,320)
Interfund transfers	555,823	(371,789)	(184,034)	-	-	994,591	(179,889)	(814,702)	-	-	-
FUND BALANCE, END OF YEAR	\$ (85,299)	\$ 6,679,450	\$ 6,492,334	\$ 687	\$ 13,087,172	\$ (244,453)	\$ 6,829,832	\$ 5,740,160	\$ -	\$ 859	\$ 12,326,398

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Statement of Cash Flows

Year ended December 31, 2019, with comparative figures for 2018

	2019	2018
CASH FLOW FROM OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ 760,774	\$ (559,320)
Items not involving cash		
Amortization	172	215
Gain on sale of investments	(22,008)	(105,648)
Unrealized loss (gain) from change in fair market value of investments	(1,007,961)	1,274,589
Change in non-cash operating working capital		
Decrease in accounts receivables	28,713	136,999
Decrease (increase) in prepaid expenses	4,604	(14,525)
Decrease in accounts payable and accrued liabilities	(159)	(19,540)
Increase (decrease) in deferred revenue	3,237	(256)
Increase (decrease) in due to Nova Scotia Health Authority	40,795	(31,916)
	(191,833)	680,598
CASH FLOW FROM INVESTMENT ACTIVITIES		
Increase in investments	(76,692)	(511,982)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(268,525)	168,616
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,372,826	2,204,210
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,104,301	\$ 2,372,826

See accompanying notes to financial statements.

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

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, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) V. J. Harriss endowment fund

The V. J. Harriss endowment fund reported contributions of the V. J. Harriss Estate and a related trust. Contributions to the fund had been internally endowed by the Foundation. Income from the endowed asset was 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 is reported in the specific restricted fund and income earned on the endowment fund is reported in the endowment fund.

Revenue from special events is 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, 2019

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, 2019

2. INVESTMENTS

	2019		2018	
	Cost	Fair market value	Cost	Fair market value
Short-term Equities	\$ 4,091,108	\$ 4,608,911	\$ 4,173,026	\$ 4,254,424
Long-term Equities	5,636,239	6,492,334	5,455,622	5,740,160
	<u>\$ 9,727,347</u>	<u>\$ 11,101,245</u>	<u>\$ 9,628,648</u>	<u>\$ 9,994,584</u>

3. ACCOUNTS RECEIVABLE

	2019	2018
General Fund		
Harmonized sales tax	\$ 32,663	\$ 29,183
Accrued interest	8,248	5,441
Other	121	121
	<u>41,032</u>	<u>34,745</u>
Restricted fund		
Planned and major gifts	—	35,000
	<u>\$ 41,032</u>	<u>\$ 69,745</u>

4. CAPITAL ASSETS

	2019		2018	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and fixtures	\$ 72,485	\$ 71,798	\$ 687	\$ 859
Leaseholds	23,872	23,872	—	—
Furniture	11,376	11,376	—	—
	<u>\$ 107,733</u>	<u>\$ 107,046</u>	<u>\$ 687</u>	<u>\$ 859</u>

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes government remittances payable of \$11,187 (2018 - \$10,702).

6. RESTRICTED FUND BALANCES

Major categories of the restricted fund balance are as follows:

	2019	2018
Restricted funds		
Restricted for Foundation CCPC Fund	\$ 1,011,262	\$ 854,479
Restricted for cancer treatment centre	2,534,993	2,071,496
Restricted for pediatrics	281,009	263,921
Restricted for TLC/NICU	127,124	193,722
Restricted for equipment	302,105	1,505,687
Other restrictions	2,422,957	1,940,527
Total restricted fund balance	\$ 6,679,450	\$ 6,829,832

7. ENDOWMENT FUND

	2019	2018
Endowment funds		
V.J. Harriss Endowment Fund	\$ 6,042,362	\$ 5,512,302
Caleb's Courage Endowment Fund	433,201	213,763
Other endowments	16,771	14,095
	\$ 6,492,334	\$ 5,740,160

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 prior 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, 2019

8. INVESTMENT IN CAPITAL ASSETS

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

	2019	2018
Capital assets	\$ 687	\$ 859

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

	2019	2018
Invested in capital assets, beginning of year	\$ 859	\$ 1,074
Net change in investment in capital assets: Amortization of capital assets	(172)	(215)
Invested in capital assets, end of year	\$ 687	\$ 859

9. SPECIAL EVENTS

	2019	2018
Revenues		
Festival of the Greens	\$ 199,141	\$ 172,520
Because You Care Cup	58,802	56,080
	257,943	228,600
Expenses		
Festival of the Greens	55,845	64,724
Because You Care Cup	15,643	13,272
	71,488	77,996
Special events net income	\$ 186,455	\$ 150,604

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

10. ALLOCATED EXPENSES

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

	2019	2018
Fundraising	\$ 65,457	\$ 64,100
Administrative	132,898	130,143
	<u>\$ 198,355</u>	<u>\$ 194,243</u>

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:

	2019	2018
Transfers on behalf of NSHA for patient care/support, equipment and facility enhancements	\$ 2,122,598	\$ 1,011,928

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, 2019, these commitments totalled \$3,770,716 (2018 - \$2,249,108).

CAPE BRETON REGIONAL HOSPITAL FOUNDATION

Notes to Financial Statements

Year ended December 31, 2019

13. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and includes the following significant risk at December 31, 2019.

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. SUBSEQUENT EVENT

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness, which has negatively impacted the Foundation's investment portfolio market value. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results of the Foundation in future periods.