

**Cape Breton Regional Hospital
Foundation
Financial Statements**
December 31, 2021

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

Qualified Opinion

We have audited the financial statements of Cape Breton Regional Hospital Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2021, 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 possible 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, 2021, 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 not-for-profit organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, cash flows from operations for the year ended December 31, 2021, current assets as at December 31, 2021 and fund balances as at December 31, 2021. Our audit opinion on the financial statements for the year ended December 31, 2021 was modified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the section of our report entitled Auditor's Responsibilities for the Audit of the Financial Statements. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the 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.

Auditor's Responsibilities 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 decisions 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
April 8, 2022

MNP LLP
Chartered Professional Accountants

Cape Breton Regional Hospital Foundation
Statement of Financial Position
As at December 31, 2021

	2021			2020		
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	Total
ASSETS						
Current assets						
Cash	\$ -	\$ 3,163,082	\$ -	\$ -	\$ 3,163,082	\$ 2,424,091
Due from general fund	-	-	-	-	-	373,762
Due from restricted fund	102,447	-	-	-	102,447	-
Investments (note 2)	-	5,777,982	-	-	5,777,982	3,866,428
Accounts receivable (note 3)	36,521	-	-	-	36,521	60,317
Prepaid expenses	14,187	-	-	-	14,187	21,353
	153,155	8,941,064	-	-	9,094,219	6,745,951
Investments (note 2)	-	-	6,919,137	-	6,919,137	6,289,089
Capital assets (note 4)	-	-	-	-	-	549
	\$ 153,155	\$ 8,941,064	\$ 6,919,137	\$ -	\$ 16,013,356	\$ 13,035,589

LIABILITIES

Current liabilities						
Accounts payable and accrued liabilities (note 5)	\$ 53,998	\$ -	\$ -	\$ -	\$ 53,998	\$ 67,768
Due to restricted fund	-	-	-	-	-	373,762
Due to general fund	-	102,447	-	-	102,447	-
Deferred revenue	1,808	-	-	-	1,808	1,741
Due to Nova Scotia Health	-	37,316	-	-	37,316	62,800
	55,806	139,763	-	-	195,569	506,071

FUND BALANCES

Unrestricted	97,349	-	-	-	97,349	(361,601)
Restricted (note 6)	-	8,801,301	-	-	8,801,301	6,601,481
Endowment (note 7)	-	-	6,919,137	-	6,919,137	6,289,089
Invested in capital assets (note 8)	-	-	-	-	-	549
	97,349	8,801,301	6,919,137	-	15,817,787	12,529,518
	\$ 153,155	\$ 8,941,064	\$ 6,919,137	\$ -	\$ 16,013,356	\$ 13,035,589

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

Cape Breton Regional Hospital Foundation
Statement of Operations
For the year ended December 31, 2021

	2021					2020				
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total
DONATIONS AND EVENT REVENUE										
Annual campaign	\$ 197,271	\$ 1,130,391	\$ -	\$ -	\$ 1,327,662	\$ 309,075	\$ 857,958	\$ -	\$ -	\$ 1,167,033
Planned and major gifts	67,686	1,401,768	-	-	1,469,454	12,999	491,467	-	-	504,466
Special events, net of direct expenses (note 9)	113,749	17,104	-	-	130,853	12,603	25,919	-	-	38,522
	378,706	2,549,263	-	-	2,927,969	334,677	1,375,344	-	-	1,710,021
EXPENSES										
Fundraising										
Direct expenses	267,735	199,724	-	-	467,459	215,961	148,647	-	-	364,608
Administrative										
Administration	373,551	296	-	-	373,847	428,802	-	-	-	428,802
Amortization	-	-	-	549	549	-	-	-	138	138
	641,286	200,020	-	549	841,855	644,763	148,647	-	138	793,548
Appropriations on behalf of Nova Scotia Health										
Patient care/support	11,408	636,507	-	-	647,915	30,355	535,799	-	-	566,154
Equipment	31,985	127,885	-	-	159,870	10,920	502,742	-	-	513,662
Facility enhancements	-	9,499	-	-	9,499	-	7,175	-	-	7,175
	43,393	773,891	-	-	817,284	41,275	1,045,716	-	-	1,086,991
Appropriations to other organizations										
	-	5,000	-	-	5,000	210	590	-	-	800
	684,679	978,911	-	549	1,664,139	686,248	1,194,953	-	138	1,881,339
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES BEFORE UNDERNOTED	(305,973)	1,570,352	-	(549)	1,263,830	(351,571)	180,391	-	(138)	(171,318)
INVESTMENT INCOME (LOSS)										
Interest, dividends and foreign exchange	-	247,701	341,100	-	588,801	-	176,066	229,937	-	406,003
Gain (loss) on sale of investments	-	763,092	1,146,197	-	1,909,289	-	(125,197)	(178,390)	-	(303,587)
Unrealized loss from change in fair market value of investments	-	(114,503)	(359,148)	-	(473,651)	-	(237,311)	(251,441)	-	(488,752)
	-	896,290	1,128,149	-	2,024,439	-	(186,442)	(199,894)	-	(386,336)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	\$ (305,973)	\$ 2,466,642	\$ 1,128,149	\$ (549)	\$ 3,288,269	\$ (351,571)	\$ (6,051)	\$ (199,894)	\$ (138)	\$ (557,654)

See accompanying notes to financial statements.

Cape Breton Regional Hospital Foundation
Statement of Changes in Fund Balances
For the year ended December 31, 2021

	2021					2020				
	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total	General Fund	Restricted Fund	Endowment Fund	Capital Fund	Total
FUND BALANCE, BEGINNING OF YEAR	\$ (361,601)	\$ 6,601,481	\$ 6,289,089	\$ 549	\$ 12,529,518	\$ (85,299)	\$ 6,679,450	\$ 6,492,334	\$ 687	\$ 13,087,172
Excess (deficiency) of revenues over expenses	(305,973)	2,466,642	1,128,149	(549)	3,288,269	(351,571)	(6,051)	(199,894)	(138)	(557,654)
Interfund transfers	764,923	(266,822)	(498,101)	-	-	75,269	(71,918)	(3,351)	-	-
FUND BALANCE, END OF YEAR	\$ 97,349	\$ 8,801,301	\$ 6,919,137	\$ -	\$ 15,817,787	\$ (361,601)	\$ 6,601,481	\$ 6,289,089	\$ 549	\$ 12,529,518

See accompanying notes to financial statements.

Cape Breton Regional Hospital Foundation Statement of Cash Flows

For the year ended December 31, 2021

	2021	2020
CASH FLOW FROM OPERATIONS		
Excess (deficiency) of revenues over expenses	\$ 3,288,269	\$ (557,654)
Items not involving cash		
Amortization	549	138
Loss (gain) on sale of investments	(1,909,289)	303,587
Unrealized loss from change in fair market value of investments	473,651	488,752
Change in non-cash operating working capital		
Decrease (increase) in accounts receivables	23,796	(19,285)
Decrease in prepaid expenses	7,166	172
Increase (decrease) in accounts payable and accrued liabilities	(13,770)	315
Increase (decrease) in deferred revenue	67	(2,588)
Decrease in due to Nova Scotia Health	(25,484)	(47,036)
	1,844,955	166,401
CASH FLOW FROM INVESTMENT ACTIVITIES		
Decrease (increase) in investments	(1,105,964)	153,389
INCREASE IN CASH AND CASH EQUIVALENTS	738,991	319,790
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,424,091	2,104,301
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,163,082	\$ 2,424,091

See accompanying notes to financial statements.

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

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 Nova Scotia Health. 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) Endowment fund

The endowment fund reports assets, liabilities, revenues and expenses related to contributions for which the donor specifies that the Board of Directors designates funds to be maintained permanently.

(iv) 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.

(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.

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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) Government assistance

Government assistance are recognized initially at fair value when there is reasonable assurance that it will be received and the Foundation will comply with the conditions associated with the grant or subsidy. Government assistance related to profit or loss are presented as part of the Foundation's statements of operations as a reduction of the related expense.

(f) 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.

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

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(g) 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%

(h) 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.

(i) 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. Actual results could differ from those estimates.

Cape Breton Regional Hospital Foundation
Notes to Financial Statements

For the year ended December 31, 2021

2. INVESTMENTS

	2021		2020	
	Cost	Fair market value	Cost	Fair market value
Short-term Equities	\$ 5,611,987	\$ 5,777,982	\$ 3,585,938	\$ 3,866,428
Long-term Equities	6,673,632	6,919,137	5,684,435	6,289,089
	<u>\$ 12,285,619</u>	<u>\$ 12,697,119</u>	<u>\$ 9,270,373</u>	<u>\$ 10,155,517</u>

3. ACCOUNTS RECEIVABLE

	2021	2020
General Fund		
Federal wage subsidy	\$ –	\$ 28,240
Harmonized sales tax	30,763	26,375
Accrued interest	5,637	5,581
Other	121	121
	<u>\$ 36,521</u>	<u>\$ 60,317</u>

4. CAPITAL ASSETS

	2021		2020	
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and fixtures	\$ 72,485	\$ 72,485	\$ –	\$ 549
Leaseholds	23,872	23,872	–	–
Furniture	11,376	11,376	–	–
	<u>\$ 107,733</u>	<u>\$ 107,733</u>	<u>\$ –</u>	<u>\$ 549</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities includes government remittances payable of \$14,028 (2020 - \$14,133).

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

6. RESTRICTED FUND BALANCES

Major categories of the restricted fund balance subject to external restrictions are as follows:

	2021	2020
Restricted funds		
Restricted for Foundation CCPC Fund	\$ 805,665	\$ 814,084
Restricted for cancer treatment	2,750,613	2,479,432
Restricted for Cancer Centre capital campaign	2,337,336	680,761
Restricted for pediatrics	278,480	275,280
Restricted for TLC/NICU	218,599	216,203
Restricted for equipment	273,410	82,642
Other restrictions	2,137,198	2,053,079
Total restricted fund balance	\$ 8,801,301	\$ 6,601,481

7. ENDOWMENT FUND

	2021	2020
Endowment funds		
V.J. Harriss Endowment Fund	\$ 6,322,662	\$ 5,804,542
Caleb's Courage Endowment Fund	571,705	464,776
Other endowments	24,770	19,771
	\$ 6,919,137	\$ 6,289,089

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.

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

8. INVESTMENT IN CAPITAL ASSETS

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

	2021	2020
Capital assets	\$ –	\$ 549

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

	2021	2020
Invested in capital assets, beginning of year	\$ 549	\$ 687
Net change in investment in capital assets:		
Amortization of capital assets	(549)	(138)
Invested in capital assets, end of year	\$ –	\$ 549

9. SPECIAL EVENTS

	2021	2020
Revenues		
Festival of the Greens	\$ 170,702	\$ 12,605
Because You Care Cup	–	15,215
Golf tournament	85,900	20,689
	256,602	48,509
Expenses		
Festival of the Greens	56,953	46
Because You Care Cup	–	114
Golf tournament	68,796	9,827
	125,749	9,987
Special events net income	\$ 130,853	\$ 38,522

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

10. ALLOCATED EXPENSES

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

	2021	2020
General Fund		
Fundraising	\$ 103,623	\$ –
Administrative	57,664	84,868
Restricted Fund		
Fundraising	155,832	40,700
	\$ 317,119	\$ 125,568

11. RELATED PARTY TRANSACTIONS

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

The following details the primary transactions between the two organizations:

	2021	2020
Transfers on behalf of NSH for patient care/support, equipment and facility enhancements	\$ 817,284	\$ 1,086,991

Transactions are recorded at exchange amount.

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

12. GOVERNMENT ASSISTANCE

In response to COVID-19, the Government of Canada implemented the Canadian Emergency Wage Subsidy (“CEWS”) program. The CEWS program offers qualifying organizations government assistance in the form of a payroll subsidy to offset the cost of employees. The payroll subsidy was recognized as an offset to salary expense. For the year ended December 31, 2021 the Foundation recorded \$75,557 (2020 – \$100,043) as a reduction to administrative and fundraising costs.

There are no unfulfilled conditions attached to this government assistance. As of December 31, 2021, \$Nil (2020 - \$28,240) is included in accounts receivable.

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

13. COMMITMENTS

The Foundation has committed certain restricted funds to fund various needs at the Cape Breton Regional Hospital. At December 31, 2021, these commitments totaled \$1,512,783 (2020 - \$581,589).

The Foundation entered into a 10 year office and storage lease agreement with Membertou Properties Ltd. Total lease payments are \$3,300 per month for the ten year term of the lease. The agreement expired in May, 2020, but was extended an additional two years to May, 2022, at the same rate.

14. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and includes the following significant risk at December 31, 2021.

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.

15. COVID-19

In early March 2020 the impact of the global outbreak of COVID-19 (coronavirus) began to have a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders.

Although the Foundation resumed certain special events, operations were still impacted by COVID-19. In addition, donation revenue remains impacted due to the inability of third parties to hold their own fundraising events. While the Foundation expects the pandemic will continue to impact its operations and financial conditions, the duration and extent remains unknown.

The impact of COVID-19 has been partially offset by available government programs for which the Foundation was eligible. The Foundation has received wage subsidies from March 2020 to the date of completion of these financial statements. Further details of this program are described in Note 12. Eligibility requirements under these programs have evolved since first announced and can be subject to changes in legislation or administrative positions, further, there is significant uncertainty of the period of time into the future that the government will continue these programs.

Cape Breton Regional Hospital Foundation
Notes to Financial Statements
For the year ended December 31, 2021

15. COVID-19 (CONTINUED)

At this time, it is unknown the extent of the impact of the COVID-19 outbreak may have on the Foundation as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.