

NANAIMO & DISTRICT HOSPITAL FOUNDATION
(Incorporated under the Society Act of the Province of British Columbia)
NON-CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012

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NANAIMO & DISTRICT

HOSPITAL FOUNDATION

Funding Healthcare Needs • Central Vancouver Island

MANAGEMENT'S RESPONSIBILITY

To the Members
Nanaimo & District Hospital Foundation

Management has the responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained to provide reliable information for the preparation of financial statements.

With the exception of the President, the Board of Directors is composed entirely of directors who are neither management nor employees of the Foundation. The President is an employee of the Foundation, reporting to the Board of Directors, and is an ex-officio member of the Board of Directors.

Hayes Stewart Little & Co., an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both management and the Board of Directors to discuss their audit findings.

October 3, 2012

President

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INDEPENDENT AUDITORS' REPORT

To the Members
Nanaimo & District Hospital Foundation

We have audited the non-consolidated financial statement of Nanaimo & District Hospital Foundation ('Foundation') as at June 30, 2012, which comprise the non-consolidated statement of financial position as at June 30, 2012 and the non-consolidated statements of operations and changes in fund balances and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the non-consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these non-consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these non-consolidated 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 non-consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the non-consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the non-consolidated 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 non-consolidated 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 revenue from donations, 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 donations, excess of revenue over expenses, assets and fund balances.

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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 donations referred to in the preceding paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Nanaimo & District Hospital Foundation as at June 30, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied by the Foundation in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

Hayes Stewart Little & Co.

Nanaimo, B.C.
October 3, 2012

CHARTERED ACCOUNTANTS

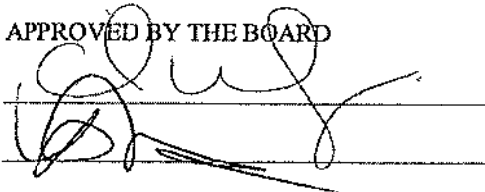
NANAIMO & DISTRICT HOSPITAL FOUNDATION
NON-CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
ASSETS		
CURRENT ASSETS		
Cash (notes 2, 4)	\$2,384,916	\$2,028,015
Investments (notes 2, 4)	851,442	840,175
Accounts receivable	18,091	18,147
Accrued interest receivable	2,382	1,955
Prepaid expenses	30,922	26,542
Due from subsidiary companies (note 6)	<u>85,011</u>	<u>116,281</u>
	3,382,764	3,031,115
DUE FROM SUBSIDIARY COMPANIES (note 6)	23,501	43,395
CAPITAL ASSETS (notes 2, 5)	981,898	1,020,875
INVESTMENTS (notes 2, 4)	1,278,048	1,229,159
INVESTMENT IN SUBSIDIARIES (notes 2, 6)	<u>553,218</u>	<u>502,347</u>
	<u>\$6,219,429</u>	<u>\$5,826,891</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$1,696,413	\$298,357
Current portion of long term debt (note 7)	<u>29,769</u>	<u>28,089</u>
	1,726,182	326,446
LONG TERM DEBT (note 7)	<u>709,457</u>	<u>739,226</u>
	<u>2,435,639</u>	<u>1,065,672</u>
NET ASSETS		
FUND BALANCES		
General Fund (note 2(a))	104,141	370,202
Externally Restricted Fund (note 2(a))	2,221,468	2,646,339
Gaming Fund (note 2(a))	271,360	626,729
Endowment Fund (note 2(a))	<u>1,186,821</u>	<u>1,117,949</u>
	<u>3,783,790</u>	<u>4,761,219</u>
	<u>\$6,219,429</u>	<u>\$5,826,891</u>

Commitments and Contingencies (note 10)

APPROVED BY THE BOARD



See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NON-CONSOLIDATED
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Externally Restricted Funds	Gaming Fund	Endowment Fund	Total 2012	Total 2011
REVENUE						
Donations (notes 2, 9)	\$530,279	\$1,228,379	\$27,872	\$35,000	\$1,821,530	\$2,317,499
Investment income (losses) (notes 4, 6)	40,847	(887)	9,260	52,744	101,964	167,469
Ticket sales (note 2)	-	-	468,500	-	468,500	455,900
Miscellaneous income (note 6)	99,691	-	-	-	99,691	92,618
	<u>\$670,817</u>	<u>\$1,227,492</u>	<u>\$505,632</u>	<u>\$87,744</u>	<u>\$2,491,685</u>	<u>3,033,486</u>
FUNDRAISING EXPENSES						
Bank & investment fees (note 4)	7,379	-	8,030	10,872	26,281	24,562
Insurance	-	18,808	-	-	18,808	18,937
Meetings	40	1,200	139	-	1,379	941
Miscellaneous	1,409	2,254	50	-	3,713	12,044
Office	1,624	389	90	-	2,103	2,915
Postage	9,826	19,719	11,546	-	41,091	39,229
Printing	17,823	19,052	25,209	-	62,084	63,084
Publicity & promotion	50,425	73,962	235,875	-	360,262	368,021
Salaries, benefits & recruitment	278,540	84,194	64,126	-	426,860	402,575
Telephone	-	-	5,451	-	5,451	5,338
Travel	1,144	1,056	248	-	2,448	1,560
	<u>368,210</u>	<u>220,634</u>	<u>350,764</u>	<u>10,872</u>	<u>950,480</u>	<u>939,206</u>
ADMINISTRATIVE EXPENSES						
Amortization	51,900	-	-	-	51,900	53,017
Bank charges & interest	6,050	-	-	-	6,050	4,928
Education	55,558	-	-	-	55,558	50,218
Insurance	3,760	-	-	-	3,760	4,934
Interest on long term debt	43,909	-	-	-	43,909	45,493
Meetings	8,882	-	-	-	8,882	9,362
Occupancy costs	37,882	-	-	-	37,882	32,942
Office	54,243	-	-	-	54,243	46,646
Professional fees	22,538	-	-	-	22,538	24,520
Publicity & promotion	4,048	-	-	-	4,048	7,669
Salaries, benefits & recruitment	409,433	-	-	-	409,433	389,191
Telephone	7,592	-	-	-	7,592	6,676
Travel	6,215	-	-	-	6,215	8,602
	<u>712,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>712,010</u>	<u>684,198</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS						
	(409,403)	1,006,858	154,868	76,872	829,195	1,410,082
Cost Recovery (notes 2, 8)	160,773	(160,773)	-	-	-	-
Grants to Programs (notes 9, 10)	(68,302)	(1,270,956)	(510,237)	(8,000)	(1,857,495)	(1,338,162)
Net Income From Subsidiary Companies (note 6)	50,871	-	-	-	50,871	55,667
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR						
	(266,061)	(424,871)	(355,369)	68,872	(977,429)	127,587
FUND BALANCES, beginning of year						
	370,202	2,646,339	626,729	1,117,949	4,761,219	4,633,632
FUND BALANCES, ending of year						
	<u>\$104,141</u>	<u>\$2,221,468</u>	<u>\$271,360</u>	<u>\$1,186,821</u>	<u>\$3,783,790</u>	<u>\$4,761,219</u>

See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NON-CONSOLIDATED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2012

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Sources		
Donation receipts	\$1,718,228	\$2,214,572
Ticket sales	468,500	455,900
Interest received	41,787	37,540
Dividends received	5,058	9,879
Miscellaneous receipts	<u>99,747</u>	<u>121,152</u>
	<u>2,333,320</u>	<u>2,839,043</u>
Uses		
Payment for operating expenditures	(621,040)	(576,829)
Payment for fundraising expenditures	(259,497)	(611,556)
Payment for gaming expenditures	(406,753)	(315,182)
Interest paid	(43,909)	(45,493)
Grants to programs	<u>(649,117)</u>	<u>(1,305,525)</u>
	<u>(1,980,316)</u>	<u>(2,854,585)</u>
Net cash provided by (used in) operating activities	<u>353,004</u>	<u>(15,542)</u>
INVESTING ACTIVITIES		
Contributions to long-term investments	(15,000)	(25,000)
Purchase of capital assets	(12,923)	(4,588)
Endowment contributions	35,000	29,500
Payment from endowment	(8,000)	(8,000)
Advances from subsidiary companies	<u>51,163</u>	<u>21,013</u>
Net cash provided by investing activities	<u>50,240</u>	<u>12,925</u>
FINANCING ACTIVITIES		
Repayment of long term debt	<u>(28,090)</u>	<u>(26,506)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	375,154	(29,123)
CASH AND CASH EQUIVALENTS – COST, Beginning of year	<u>2,029,452</u>	<u>2,058,575</u>
CASH AND CASH EQUIVALENTS – COST, End of year	<u>\$2,404,606</u>	<u>\$2,029,452</u>
REPRESENTED BY:		
Cash	\$2,384,916	\$2,028,015
Investments – at cost	<u>19,690</u>	<u>1,437</u>
	<u>\$2,404,606</u>	<u>\$2,029,452</u>

See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

1. PURPOSE OF THE FOUNDATION

Nanaimo & District Hospital Foundation (the Foundation) is incorporated under the Society Act of British Columbia as a not-for-profit organization and is a registered charity under the Income Tax Act (the "Act"). It is exempt from income taxes and is able to issue donation receipts for income tax purposes. In order to maintain its status as a registered charity under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met. The Foundation's mission is to provide funding for Nanaimo Regional General Hospital and other healthcare facilities within the Vancouver Island Health Authority in Central Vancouver Island to benefit the community. The Foundation provides grants for equipment, health related educational scholarships, major renovations and approved research. The Foundation owns two subsidiary companies: 629814 B.C. Ltd. operating as the Nanaimo Lifeline Program, a personal response service, and 606895 B.C. Ltd. operating as Code Brew, a coffee kiosk located at Nanaimo Regional General Hospital.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Foundation.

(a) Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. In order to ensure observance of the limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the donors or in accordance with directives issued by the Board of Directors. Transfers between the funds are made when it is considered appropriate and authorized by the Board of Directors. For financial reporting purposes, the accounts have been classified into the following funds:

General Fund

The General Fund accounts for the Foundation's general fundraising, granting, and administrative activities, and reports unrestricted resources and internally restricted funds. The Board has internally restricted funds in the amount of \$550,000 (2011 - \$550,000), not designated for any specific purpose. The General Fund also reports the assets, liabilities, revenues and expenses related to the Foundation's capital assets.

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Externally Restricted Fund

The Externally Restricted Fund includes:

Specified Equipment Funds – reports only restricted resources that must be used for the purpose of purchasing equipment for the Nanaimo Regional General Hospital.

Education Funds - reports only restricted resources that must be used for education purposes at Nanaimo Regional General Hospital.

Designated Contributions Funds – reports only restricted resources that must be used for specific areas within the Nanaimo Regional General Hospital. A charge is administered against certain designated contributions received during the year to recover overhead costs.

Gaming Fund

The Gaming Fund reports the revenues and costs associated with the Lotto for Life, as well as gaming funds donated from other charitable organizations. Net proceeds are donated to Nanaimo Regional General Hospital for the purpose of equipment for the hospital.

Externally Restricted Endowment Fund

The Endowment Fund reports resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the General Fund unless otherwise directed by the donor.

(b) Revenue Recognition

Unrestricted and restricted contributions are recognized as revenue of the appropriate fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Lottery revenue is recognized in the fiscal year in which the program is concluded. Revenue and expenses related to lotteries for which prize draws take place subsequent to the year-end are deferred.

Contributions for endowment are recognized as revenue of the Endowment Fund. Investment income earned on Endowment Fund resources is recognized as revenue of the General Fund unless otherwise directed by the donor.

Donations and bequests are recorded in the year of receipt.

Contributed materials and services are recognized in the financial statements when their fair value can be reasonably determined and they are used in the normal course of the organization's operations and would otherwise have been purchased.

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks, and highly liquid investments with an original maturity date at purchase of three month or less. Bank borrowings are considered to be financing activities.

(d) Investments

In accordance with section 3855 Financial Instruments – Recognition and Measurement of the CICA Handbook, the Foundation has classified its investments as ‘held for trading’ and has reported them at their fair market value based on quoted prices at year end. Investment income is recorded as revenue in the appropriate fund in the period in which it arose.

Investments in subsidiary companies are accounted for using the equity method. Accordingly, these investments are recorded at acquisition cost and are increased for post acquisition earnings and decreased by losses and dividends paid.

(e) Capital Assets

Capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of receipt. Amortization expense is reported in the General Fund. Amortization of capital assets has been calculated annually over their estimated useful lives at the following rates and methods:

Building	4% declining balance
Building fixtures	5 year straight line
Furniture	10 year straight line
Office & computer equipment	5 year straight line
Computer software	3 year straight line

(f) Financial Instruments

The Foundation's financial instruments consist of cash, investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities, and long term debt. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest (see note 7 for fixed interest rate on debt), currency or credit risks arising from these financial instruments. Financial instruments are recorded at their fair value, or, in the case of investments, their market value, at June 30, 2012.

(g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets, as outlined in (e) above. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Actual results could differ from these estimates.

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES – continued

(h) Allocation of expenses

The Foundation engages in providing funding for Nanaimo Regional General Hospital and other healthcare facilities within the Central Vancouver Island region to benefit the community. The Foundation provides grants for equipment, health related educational scholarships, major renovations and approved research. The costs of fundraising activities conducted to raise money for specific equipment or projects include the costs of human resources, office, and other expenses that are directly related to fundraising. These costs are identified on the Non-consolidated Statement of Operations and Fund Balances as fundraising expenses, and are allocated directly to the General Fund, the Externally Restricted Fund, the Gaming Fund, and the Endowment Funds. The Foundation also incurs a number of administrative expenses for the operation of its offices; these expenses are identified on the Non-consolidated Statement of Operations and Fund Balances as Administrative Expenses, and are allocated directly to the General Fund.

(i) Changes in accounting framework

Effective for financial statement years beginning on or after January 1, 2012, the Canadian Institute of Chartered Accountants (CICA) has decided to transition Canadian GAAP for non-profit organizations. The Foundation has a choice to either adopt the requirements under section III of the CICA Handbook or International Financial Reporting Standards (IFRS). The Foundation is in the process of reviewing the impact of these new standards on its reporting framework and financial statements.

3. CAPITAL MANAGEMENT

The Foundation's objectives when managing capital are:

- (i) to safeguard the Foundation's ability to continue as a going concern;
- (ii) to ensure enough funds are available to meet all the Foundation's funding commitments for facilities and equipment; and
- (iii) to have sufficient resources available for operations.

The above objectives are considered in the preparation of the Foundation's annual budget, and in monitoring of cash flows and actual operating results compared to budget. A portion of the Foundation's capital is restricted in that the Foundation is required to meet certain requirements in order to utilize its externally restricted funds. The Foundation employs internal processes to ensure the restrictions are met prior to the utilization of these resources, and expends capital in accordance with Canada Revenue Agency guidelines for charities.

The Foundation's borrowing is subject to meeting certain debt covenants. Contributions received for designated purposes must be used for the purpose designated by the donor. The Foundation has complied with the external restrictions on contributions provided.

NANAIMO & DISTRICT HOSPITAL FOUNDATION

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

4. CASH AND INVESTMENTS

The cash balance includes \$837,638 (2011 - \$670,968) in funds derived from gaming activities. The use of these funds is restricted by an agreement with the Government of British Columbia Gaming Commission.

Investment Portfolio:

	<u>General Fund</u>	<u>Endowment Fund</u>	<u>2012</u>	<u>2011</u>
Cash balance	\$19,890	\$29,510	\$49,400	\$3,593
Portfolio	<u>841,552</u>	<u>1,248,538</u>	<u>2,090,090</u>	<u>2,065,741</u>
	<u>\$861,442</u>	<u>\$1,278,048</u>	<u>\$2,139,490</u>	<u>\$2,069,334</u>

The General Fund portfolio investments include \$550,000 (2011 - \$550,000) of funds set aside by the Board in previous years on the understanding that these funds could only be spent with Board approval. The Board has determined that this amount is internally restricted and is not designated for any specific purpose.

Investment Income:

Investment income includes interest, dividends, and realized and unrealized gains (losses) related to measuring the investments at market value at June 30, 2012. Investment management fees of \$18,251 (2011 - \$17,513) have been included in bank and investment fees on the non-consolidated statement of operations and changes in fund balances.

	<u>General Fund</u>	<u>Restricted Gaming</u>	<u>Endowment</u>	<u>2012</u>	<u>2011</u>
Investment income	\$51,923	-	\$9,260	\$49,038	\$110,221
Realized gain (loss)	<u>(5,400)</u>	<u>(887)</u>	-	<u>(8,699)</u>	<u>(2,950)</u>
Realized investment income	<u>46,523</u>	<u>(887)</u>	<u>9,260</u>	<u>40,339</u>	<u>107,640</u>
Unrealized gain	42,579	-	-	63,171	99,021
Less: opening unrealized gain	<u>(48,255)</u>	-	-	<u>(50,766)</u>	<u>(39,192)</u>
Unrealized investment income	<u>(5,676)</u>	-	-	<u>12,405</u>	<u>59,829</u>
Investment income	<u>\$40,847</u>	<u>(\$887)</u>	<u>\$9,260</u>	<u>\$52,744</u>	<u>\$167,469</u>

5. CAPITAL ASSETS

	<u>2012</u>			<u>2011</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$1,154,121	\$193,477	\$960,643	\$1,000,670
Building fixtures	35,952	23,909	12,043	7,618
Furniture	34,910	27,758	7,153	11,102
Office & computer equipment	<u>110,179</u>	<u>108,120</u>	<u>2,059</u>	<u>1,485</u>
	<u>\$1,335,162</u>	<u>\$353,264</u>	<u>\$981,898</u>	<u>\$1,020,875</u>

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

6. SUBSIDIARY INVESTMENTS AND RELATED TRANSACTIONS

<u>Due from subsidiary companies:</u>	<u>2012</u>	<u>2011</u>
606895 B.C. Ltd. (Code Brew)	\$ 40,472	\$ 46,642
629814 B.C. Ltd. (Nanaimo Lifeline Program) current portion	44,539	69,639
629814 B.C. Ltd. (Nanaimo Lifeline Program) long term portion	<u>23,501</u>	<u>43,395</u>
	<u>\$108,512</u>	<u>\$159,676</u>

Unless otherwise noted, the balances due from subsidiary companies are non-interest bearing and have no set terms of repayment.

The Foundation owns 100% of the issued shares of 629814 B.C. Ltd. operating as the Nanaimo Lifeline Program, a personal response service, and 606895 B.C. Ltd. operating as Code Brew, a coffee kiosk located in the lobby at Nanaimo Regional General Hospital. The investment has been recorded as follows:

<u>Investment in Subsidiaries:</u>	<u>2012</u>	<u>2011</u>
<u>100% of shares of 629814 BC Ltd. (Nanaimo Lifeline)</u>		
Opening Balance	\$485,519	\$430,541
Net income	<u>78,369</u>	<u>54,978</u>
Closing Balance	<u>\$563,888</u>	<u>\$485,519</u>
<u>100% of shares of 606895 BC Ltd. (Code Brew)</u>		
Opening Balance	\$16,828	\$ 16,139
Net (loss) income	<u>(27,498)</u>	<u>689</u>
Closing Balance	<u>(10,670)</u>	<u>16,828</u>
Total Equity Investment in Subsidiaries	<u>\$553,218</u>	<u>\$502,347</u>

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

6. SUBSIDIARY INVESTMENTS AND RELATED TRANSACTIONS - continued

In summary form, 629814 B.C. Ltd. and 606895 B.C. Ltd. reported the following unaudited financial information for the year ended June 30, 2012 as follows:

	<u>629814 B.C. Ltd.</u> <u>(Nanaimo Lifeline Program)</u>		<u>606895 B.C. Ltd.</u> <u>(Code Brew)</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$152,111	\$125,334	\$32,936	\$43,649
Non-current Assets	<u>517,394</u>	<u>501,429</u>	<u>33,121</u>	<u>49,669</u>
	<u>\$669,505</u>	<u>\$626,763</u>	<u>\$66,057</u>	<u>\$93,318</u>
Current Liabilities	\$105,617	\$141,244	\$76,615	\$76,222
Non-current Liabilities	<u>-</u>	<u>-</u>	<u>112</u>	<u>268</u>
	105,617	141,244	76,727	76,490
Shareholder's Equity	<u>563,888</u>	<u>485,519</u>	<u>(10,670)</u>	<u>16,828</u>
	<u>\$669,505</u>	<u>\$626,763</u>	<u>\$66,057</u>	<u>\$93,318</u>

In summary form, 629814 B.C. Ltd. and 606895 B.C. Ltd. reported the following results from operations:

	<u>629814 B.C. Ltd.</u> <u>(Nanaimo Lifeline Program)</u>		<u>606895 B.C. Ltd.</u> <u>(Code Brew)</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues	\$669,901	\$626,607	\$622,954	\$581,870
Expenses	(593,699)	(573,453)	(650,883)	(582,083)
Other Income	<u>2,167</u>	<u>1,824</u>	<u>431</u>	<u>902</u>
	<u>\$ 78,369</u>	<u>\$ 54,978</u>	<u>(\$27,498)</u>	<u>\$ 689</u>

The following is a summary of related party transactions during the period:

606895 BC Ltd. operating as Code Brew

A management fee was charged to Code Brew to recover administrative time spent by Foundation staff	<u>\$31,721</u>	<u>\$30,569</u>
The Foundation purchased goods and services from Code Brew	<u>\$ 2,221</u>	<u>\$ 2,208</u>

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6. SUBSIDIARY INVESTMENTS AND RELATED TRANSACTIONS - continued

606895 BC Ltd. operating as the Nanaimo Lifeline Program

A management fee was charged to the Nanaimo Lifeline Program to recover administrative time spent by Foundation staff	<u>\$35,026</u>	<u>\$30,211</u>
Rent was charged to the Nanaimo Lifeline Program for office space used by the company	<u>\$28,080</u>	<u>\$28,080</u>
Interest, included in investment income, was charged on a loan provided to the Nanaimo Lifeline Program. The loan is being repaid in monthly installments of \$1,853 including interest at 4.25%. The loan balance at June 30, 2012 is \$44,257 and is included in the balance due from The Nanaimo Lifeline Program above.	<u>\$ 2,342</u>	<u>\$ 3,168</u>

Management fees and rental income totaling \$94,827 (2011 - \$88,860) are included in Miscellaneous income.

All of the about transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. LONG TERM DEBT

	<u>2012</u>	<u>2011</u>
The Foundation has entered into a mortgage loan for the purchasing of office space. The total amount borrowed is \$850,000 with an amortization period of 20 years, maturing February 26, 2013. The interest rate is a five-year fixed rate of 5.89% with a monthly payment, principal and interest, of \$6,000. The mortgage is secured by a General Security Agreement representing a first charge on all the foundation's assets and undertakings, a continuing collateral mortgage representing a first charge on the real property secured by the mortgage, a general assignment of rents and leases representing a first charge, assignment of fire insurance in the amount of \$850,000, general liability insurance of \$1,000,000, and an environmental indemnity agreement. Subsequent to the year end, the lender has agreed to renew the mortgage at similar rates. Therefore, this loan has been classified as a long term liability.	\$739,226	\$767,315
Amounts payable within one year	<u>(29,769)</u>	<u>(28,089)</u>
	<u>\$709,457</u>	<u>\$739,226</u>

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7. LONG TERM DEBT - continued

The minimum annual principal payments, assuming renewal of the mortgage with similar terms are approximately:

2013	29,769
2014	31,548
2015	33,434
2016	35,431
2017	37,550
Thereafter	<u>571,494</u>
	<u>\$739,226</u>

8. INTERFUND CHARGES

An administration charge of \$160,773 (2011 - \$133,217), representing up to 18% (2011 - 15%) of designated donations to certain funds has been reported as a cost recovery.

9. DONATIONS AND GIFTS-IN-KIND

Donations recognized in the general fund include gifts-in-kind received in fiscal 2012 having a fair value of \$68,302 (2011 - \$73,427). A corresponding amount has been included in grants to programs.

10. COMMITMENTS AND CONTINGENCIES

At June 30, 2012, the Foundation has committed to fund the following future projects and equipment:

Emergency Renovation Project	\$ 3,300,000
Operating Microscope-Ophthalmology	\$120,000
Telemetry System	\$244,601
Miscellaneous Equipment	\$110,000

It is anticipated that these commitments will be partially offset by multi-year donations, specifically pledged to fund equipment. No provision for these commitments has been reported in the non-consolidated financial statements; the donation expense will be reported in the year the equipment is purchased by the hospital.

11. INTERFUND BALANCES

The externally restricted funds have interfund loans and advances totaling \$1,984,772 (2011- \$2,348,878) The funds report the following amounts payable:

	<u>2012</u>	<u>2011</u>
General Fund	\$1,317,664	\$2,224,634
Endowment Fund	90,483	111,209
Gaming Fund	<u>576,625</u>	<u>13,035</u>
	<u>\$1,984,772</u>	<u>\$2,348,878</u>

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12. GOING CONCERN

These non-consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Foundation be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Foundation's ability to continue as a going concern is dependent upon its ability to maintain profitable operations and generate funds there from, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. These non-consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Foundation were unable to continue its operations.

Management has reviewed whether events or circumstances indicate that the going concern basis of financial statement preparation may not be appropriate. They have concluded that there is not such an indication.

13. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation.

14. PLEDGES AND BEQUESTS

The Foundation receives pledges and bequests from donors. Management estimates that the foundation will receive bequests of approximately \$1.9 million within the next fiscal year which will be recognized as revenue in the financial statements when received.