

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

JUNE 30, 2013

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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.

September 12, 2013

President

INDEPENDENT AUDITORS' REPORT

To the Members
Nanaimo & District Hospital Foundation

We have audited the non-consolidated financial statements of Nanaimo & District Hospital Foundation ('Foundation') as at June 30, 2013, which comprise the non-consolidated statement of financial position as at June 30, 2013 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 Accounting Standards for Not-for-Profit Organizations 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.

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, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the non-consolidated financial statements which describes that Nanaimo & District Hospital Foundation adopted Canadian Accounting Standards for Not-for-Profit Organizations on July 1, 2012 with a transition date of July 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statements of financial position as at June 30, 2012 and July 1, 2011 and the non-consolidated statements of operations and changes in fund balances and cash flow for the year ended June 30, 2012 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

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 Accounting Standards for Not-for-Profit Organizations have been applied, after giving retrospective effect to the change in accounting policy as explained in the notes to the financial statement, on a basis consistent with that of the preceding year.

Hayes Stewart Little & Co.

Nanaimo, B.C.
September 12, 2013

CHARTERED ACCOUNTANTS

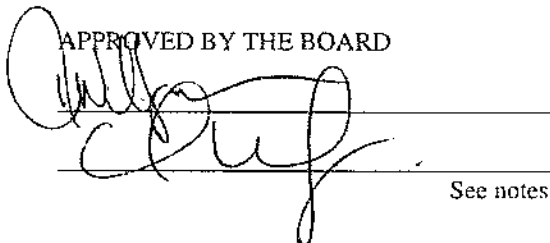
NANAIMO & DISTRICT HOSPITAL FOUNDATION
NON-CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2013

	<u>2013</u>	<u>2012</u>	<u>July 1, 2011</u>
ASSETS			
CURRENT ASSETS			
Cash (notes 3, 6)	\$1,158,635	\$2,384,916	\$2,028,015
Investments (notes 3, 6)	891,413	861,442	840,175
Accounts receivable	13,965	18,091	18,147
Accrued interest receivable	2,840	2,382	1,955
Prepaid expenses	41,489	30,922	26,542
Due from subsidiary companies (note 8)	<u>121,307</u>	<u>85,011</u>	<u>116,281</u>
	2,229,649	3,382,764	3,031,115
DUE FROM SUBSIDIARY COMPANIES (note 8)	1,846	23,501	43,395
CAPITAL ASSETS (notes 3, 7)	937,526	981,898	1,020,875
INVESTMENTS (notes 3, 6)	1,320,666	1,278,048	1,229,159
INVESTMENT IN SUBSIDIARIES (notes 3, 8)	<u>610,963</u>	<u>553,218</u>	<u>502,347</u>
	<u>\$5,100,650</u>	<u>\$6,219,429</u>	<u>\$5,826,891</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$1,374,081	\$1,696,413	\$298,357
Current portion of long term debt (note 9)	<u>38,045</u>	<u>29,769</u>	<u>28,089</u>
	1,412,126	1,726,182	326,446
LONG TERM DEBT (note 9)	<u>668,925</u>	<u>709,457</u>	<u>739,226</u>
	<u>2,081,051</u>	<u>2,435,639</u>	<u>1,065,672</u>
NET ASSETS			
FUND BALANCES			
General Fund (note 3(a))	874,270	104,141	370,202
Externally Restricted Fund (note 3(a))	888,773	2,221,468	2,646,339
Gaming Fund (note 3(a))	9,924	271,360	626,729
Endowment Fund (note 3(a))	<u>1,246,632</u>	<u>1,186,821</u>	<u>1,117,949</u>
	<u>3,019,599</u>	<u>3,783,790</u>	<u>4,761,219</u>
	<u>\$5,100,650</u>	<u>\$6,219,429</u>	<u>\$5,826,891</u>

Commitments and Contingencies (note 12)

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, 2013

	General Fund	Externally Restricted Funds	Gaming Fund	Endowment Fund	Total 2013	Total 2012
REVENUE						
Donations (notes 3, 11)	\$1,355,878	2,067,456	\$15,876	\$22,386	\$3,461,596	\$1,821,530
Investment income (notes 6, 8)	56,308	-	5,839	54,813	116,960	101,964
Ticket sales (note 3)	-	-	452,400	-	452,400	468,500
Miscellaneous income (note 8)	94,301	-	-	-	94,301	99,691
	<u>\$1,506,487</u>	<u>\$2,067,456</u>	<u>\$474,115</u>	<u>\$77,199</u>	<u>\$4,125,257</u>	<u>\$2,491,685</u>
FUNDRAISING EXPENSES						
Bank & investment fees	7,005	(21)	6,807	10,388	24,179	26,281
Insurance	-	18,808	-	-	18,808	18,808
Meetings	384	1,225	110	-	1,719	1,379
Miscellaneous	2,928	540	145	-	3,613	3,713
Office	48	109	72	-	229	2,103
Postage	12,151	18,556	10,050	-	40,757	41,091
Printing	25,873	20,009	25,079	-	70,961	62,084
Publicity & promotion	34,724	109,615	233,992	-	378,331	360,262
Salaries, benefits & recruitment	270,029	129,579	58,338	-	457,946	426,860
Telephone	-	-	5,069	-	5,069	5,451
Travel	763	962	291	-	2,016	2,448
	<u>353,905</u>	<u>299,382</u>	<u>339,953</u>	<u>10,388</u>	<u>1,003,628</u>	<u>950,480</u>
ADMINISTRATIVE EXPENSES						
Amortization	46,582	-	-	-	46,582	51,900
Bank charges & interest	7,688	-	-	-	7,688	6,050
Education	31,557	-	-	-	31,557	55,558
Insurance	5,072	-	-	-	5,072	3,760
Interest on long term debt	36,038	-	-	-	36,038	43,909
Meetings	10,078	-	-	-	10,078	8,882
Occupancy costs	29,967	-	-	-	29,967	37,882
Office	55,220	-	-	-	55,220	54,243
Professional fees	23,083	-	-	-	23,083	22,538
Publicity & promotion	3,719	-	-	-	3,719	4,048
Salaries, benefits & recruitment	382,524	-	-	-	382,524	409,433
Telephone	7,419	-	-	-	7,419	7,592
Travel	5,361	-	-	-	5,361	6,215
	<u>644,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>644,308</u>	<u>712,010</u>
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS						
	508,274	1,768,074	134,162	66,811	2,477,321	829,195
Cost Recovery (notes 3, 10)	311,470	(311,470)	-	-	-	-
Grants to Programs (notes 11, 12)	(107,360)	(2,789,299)	(395,598)	(7,000)	(3,299,257)	(1,857,495)
Net Income From Subsidiary Companies (note 8)	57,745	-	-	-	57,745	50,871
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR						
	770,129	(1,332,695)	(261,436)	59,811	(764,191)	(977,429)
FUND BALANCES, beginning of year						
	104,141	2,221,468	271,360	1,186,821	3,783,790	4,761,219
FUND BALANCES, ending of year						
	<u>\$874,270</u>	<u>\$888,773</u>	<u>\$9,924</u>	<u>\$1,246,632</u>	<u>\$3,019,599</u>	<u>\$3,783,790</u>

See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NON-CONSOLIDATED
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED JUNE 30, 2013

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Sources		
Donation receipts	\$3,331,850	\$1,718,228
Ticket sales	452,400	468,500
Interest received	24,592	41,787
Dividends received	-	5,058
Miscellaneous receipts	<u>98,427</u>	<u>99,747</u>
	<u>3,907,269</u>	<u>2,333,320</u>
Uses		
Payment for operating expenditures	(579,160)	(621,040)
Payment for fundraising expenditures	(908,988)	(259,497)
Payment for gaming expenditures	(325,851)	(406,753)
Interest paid	(36,038)	(43,909)
Grants to programs	<u>(3,251,627)</u>	<u>(649,117)</u>
	<u>(5,101,664)</u>	<u>(1,980,316)</u>
Net cash provided by (used in) operating activities	<u>(1,194,395)</u>	<u>353,004</u>
INVESTING ACTIVITIES		
Contributions to long-term investments	-	(15,000)
Purchase of capital assets	(2,209)	(12,923)
Endowment contributions	22,386	35,000
Payment from endowment	(7,000)	(8,000)
Advances from (to) subsidiary companies	<u>(14,639)</u>	<u>51,163</u>
Net cash provided by investing activities	<u>(1,462)</u>	<u>50,240</u>
FINANCING ACTIVITIES		
Repayment of long term debt	<u>(32,256)</u>	<u>(28,090)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,228,113)	375,154
CASH AND CASH EQUIVALENTS – COST, Beginning of year	<u>2,404,606</u>	<u>2,029,452</u>
CASH AND CASH EQUIVALENTS – COST, End of year	<u>\$1,176,493</u>	<u>\$2,404,606</u>
REPRESENTED BY:		
Cash	\$1,158,735	\$2,384,916
Investments – at cost	<u>17,758</u>	<u>19,690</u>
	<u>\$1,176,493</u>	<u>\$2,404,606</u>

See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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. FIRST TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

During the year the Foundation adopted Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO). These financial statements are the first prepared in accordance with these standards. The adoption of ASNPO had no impact on net assets as at July 1, 2011 or revenues and expenditures or cash flows for the year ended June 30, 2012 as previously reported in accordance with pre-changeover Canadian generally accepted accounting principles.

3. SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policies – Canadian Accounting Standards for Not-for-Profit Organizations

With regard to the Foundation's transition from former Canadian generally accepted accounting principles (GAAP) to Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO), the Foundation has made the following elections available under Canadian Institute of Chartered Accountants (CICA) Handbook Section 1501 of Canadian Accounting Standards for Not-for-Profit Organizations:

Related party transactions

Handbook Section 3840, "Related party transactions", specifies that certain related party transactions shall be measured at the carrying amount and some at the exchange amount. However, under Handbook Section 1500 of Canadian Accounting Standards for Not-for-Profit Organizations, the Foundation is not required to restate assets or liabilities related to transactions with related parties when the related party transaction occurred prior to the date of transition to Canadian Accounting Standards for Not-for-profit Organizations. The Foundation has used this election.

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. 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

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 restrict funds. The Board has internally restricted funds in the amount of \$550,000 (2012 - \$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.

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.

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

(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

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. Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

(g) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-for-Profit Organizations 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

NANAIMO & DISTRICT HOSPITAL FOUNDATION
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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.

(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.

4. FINANCIAL INSTRUMENTS

The foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the foundation's risk exposure and concentration as of June 30, 2013.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: Currency rate risk, interest rate risk and other price risk. The foundation is mainly exposed to other price risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The foundation is exposed to other price risk through its investment in quoted shares.

5. CAPITAL MANAGEMENT

The Foundation's objectives when managing capital are:

- (i) to safeguard the Foundation's ability to continue as a going concern;

NANAIMO & DISTRICT HOSPITAL FOUNDATION
 NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

5. CAPITAL MANAGEMENT – continued

- (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 (as described in Note 9). 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.

6. CASH AND INVESTMENTS

The cash balance includes \$74,970 (2012 - \$837,638) 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>2013</u>	<u>2012</u>
Cash balance	\$17,758	\$26,310	\$44,068	\$49,400
Portfolio	<u>873,655</u>	<u>1,294,356</u>	<u>2,168,011</u>	<u>2,090,090</u>
	<u>\$891,413</u>	<u>\$1,320,666</u>	<u>\$2,212,079</u>	<u>\$2,139,490</u>

The General Fund portfolio investments include \$550,000 (2012 - \$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, 2013. Investment management fees of \$17,390 (2012 - \$18,251) 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</u>	<u>Gaming</u>	<u>Endowment</u>	<u>2013</u>	<u>2012</u>
Investment income	\$50,512	-	\$5,839	\$46,512	\$102,863	\$110,221
Realized gain (loss)	<u>(11,887)</u>	<u>-</u>	<u>-</u>	<u>(17,934)</u>	<u>(29,821)</u>	<u>(14,986)</u>
Realized investment income	<u>38,625</u>	<u>-</u>	<u>5,839</u>	<u>28,578</u>	<u>73,042</u>	<u>95,235</u>
Unrealized gain	60,262	-	-	89,406	149,668	105,750
Less: opening unrealized gain	<u>(42,579)</u>	<u>-</u>	<u>-</u>	<u>(63,171)</u>	<u>(105,750)</u>	<u>(99,021)</u>
Unrealized investment income	<u>17,683</u>	<u>-</u>	<u>-</u>	<u>26,235</u>	<u>43,918</u>	<u>6,729</u>
Investment income	<u>\$56,308</u>	<u>\$-</u>	<u>\$5,839</u>	<u>\$54,813</u>	<u>\$116,960</u>	<u>\$101,964</u>

NANAIMO & DISTRICT HOSPITAL FOUNDATION
 NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

7. CAPITAL ASSETS

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$1,154,121	\$231,903	\$922,218	\$960,643
Building fixtures	35,952	28,560	7,392	12,043
Furniture	37,119	30,385	6,734	7,153
Office & computer equipment	<u>6,737</u>	<u>,555</u>	<u>1,182</u>	<u>2,059</u>
	<u>\$1,233,929</u>	<u>\$296,403</u>	<u>\$937,526</u>	<u>\$981,898</u>

8. SUBSIDIARY INVESTMENTS AND RELATED TRANSACTIONS

<u>Due from subsidiary companies:</u>	<u>2013</u>	<u>2012</u>
606895 B.C. Ltd. (Code Brew)	\$74,731	\$ 40,472
629814 B.C. Ltd. (Nanaimo Lifeline Program) current portion	46,576	44,539
629814 B.C. Ltd. (Nanaimo Lifeline Program) long term portion	<u>1,846</u>	<u>23,501</u>
	<u>\$123,153</u>	<u>\$108,512</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>2013</u>	<u>2012</u>
<u>100% of shares of 629814 BC Ltd. (Nanaimo Lifeline)</u>		
Opening Balance	\$563,888	\$485,519
Net income	<u>58,172</u>	<u>78,369</u>
Closing Balance	<u>\$622,060</u>	<u>\$563,888</u>
<u>100% of shares of 606895 BC Ltd. (Code Brew)</u>		
Opening Balance	(\$10,670)	\$16,828
Net (loss) income	<u>(427)</u>	<u>(27,498)</u>
Closing Balance	<u>(11,097)</u>	<u>(\$10,670)</u>
Total Equity Investment in Subsidiaries	<u>\$610,963</u>	<u>\$553,218</u>

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8. 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, 2013 as follows:

	<u>629814 B.C. Ltd.</u> <u>(Nanaimo Lifeline Program)</u>		<u>606895 B.C. Ltd.</u> <u>(Code Brew)</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current Assets	\$190,119	\$152,111	\$68,942	\$32,936
Non-current Assets	<u>503,199</u>	<u>517,394</u>	<u>22,222</u>	<u>33,121</u>
	<u>\$693,318</u>	<u>\$669,505</u>	<u>\$91,164</u>	<u>\$66,057</u>
Current Liabilities	\$69,411	\$105,617	\$102,261	\$76,615
Non-current Liabilities	<u>1,847</u>	<u>-</u>	<u>-</u>	<u>112</u>
	71,258	105,617	102,261	76,727
Shareholder's Equity	<u>622,060</u>	<u>563,888</u>	<u>(11,097)</u>	<u>(10,670)</u>
	<u>\$693,318</u>	<u>\$669,505</u>	<u>\$91,164</u>	<u>\$66,057</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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues	\$668,563	\$669,901	\$635,997	\$622,954
Expenses	(612,614)	(593,699)	(636,702)	(650,883)
Other Income	<u>2,223</u>	<u>2,167</u>	<u>278</u>	<u>431</u>
	<u>\$58,172</u>	<u>\$78,369</u>	<u>(\$427)</u>	<u>(\$27,498)</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>\$29,708</u>	<u>\$31,721</u>
The Foundation purchased goods and services from Code Brew	<u>\$ 1,930</u>	<u>\$ 2,221</u>

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8. SUBSIDIARY INVESTMENTS AND RELATED TRANSACTIONS - continued

<u>606895 BC Ltd. operating as the Nanaimo Lifeline Program</u>	<u>2013</u>	<u>2012</u>
A management fee was charged to the Nanaimo Lifeline Program to recover administrative time spent by Foundation staff	<u>\$32,643</u>	<u>\$35,026</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, 2013 is \$23,501 and is included in the balance due from the Nanaimo Lifeline Program above.	<u>\$1,480</u>	<u>\$ 2,342</u>

Management fees and rental income totaling \$90,431 (2012 - \$94,827) are included in Miscellaneous income.

All of the above 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.

9. LONG TERM DEBT

	<u>2013</u>	<u>2012</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. In February, 2013, the Foundation renewed the mortgage for a five year term, maturing February 26, 2018. The interest rate is a five-year fixed rate of 3.334% with a monthly payment, principal and interest, of \$5,074. 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. The credit agreement includes the following covenant which must be maintained and was met:		
- Debt Service Coverage ratio of not less than 1.00 to 1.00	\$706,970	\$739,226
Amounts payable within one year	<u>(38,045)</u>	<u>(29,769)</u>
	<u>\$668,925</u>	<u>\$709,457</u>

NANAIMO & DISTRICT HOSPITAL FOUNDATION
 NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

9. LONG TERM DEBT - continued

The minimum annual principal payments are approximately:

2014	38,045
2015	39,324
2016	40,590
2017	42,011
2018	43,423
Thereafter	<u>503,577</u>
	<u>\$706,970</u>

10. INTERFUND CHARGES

An administration charge of \$311,470 (2012 - \$160,773), representing up to 18% of designated donations to certain funds has been reported as a cost recovery.

11. DONATIONS AND GIFTS-IN-KIND

Donations recognized in the general fund include gifts-in-kind received in fiscal 2013 having a fair value of \$107,360 (2012 - \$68,302). A corresponding amount has been included in grants to programs.

12. COMMITMENTS AND CONTINGENCIES

At June 30, 2013, the Foundation has committed to raise funds for the following future projects and equipment:

Digital Mammography System	\$361,795
Operating Microscope- Ophthalmology	\$95,000
Ultrasound Equipment	\$91,133
Sinocopy Set	\$77,201
Fetal Monitor	\$69,240
Miscellaneous Equipment	\$377,112

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.

The Foundation has a letter of credit with the TD bank authorized to \$750,000.

NANAIMO & DISTRICT HOSPITAL FOUNDATION
 NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

13. INTERFUND BALANCES

The externally restricted funds have interfund loans and advances totaling \$842,536 (2012- \$1,984,772)
 The funds report the following amounts payable:

	<u>2013</u>	<u>2012</u>
General Fund	\$710,165	\$1,317,664
Endowment Fund	74,033	90,483
Gaming Fund	<u>58,338</u>	<u>576,625</u>
	<u>\$842,536</u>	<u>\$1,984,772</u>

14. 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 therefrom, 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.

15. COMPARATIVE FIGURES

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

16. PLEDGES AND BEQUESTS

The Foundation receives pledges and bequests from donors. Management estimates that the foundation will receive pledges and bequests of approximately \$424,000 within the next fiscal year which will be recognized as revenue in the financial statements when received.

Subsequent to the year end, the Foundation received \$151,300 of the bequests.