

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Non-Consolidated Financial Statements
Year Ended June 30, 2016

NANAIMO & DISTRICT HOSPITAL FOUNDATION
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Year Ended June 30, 2016

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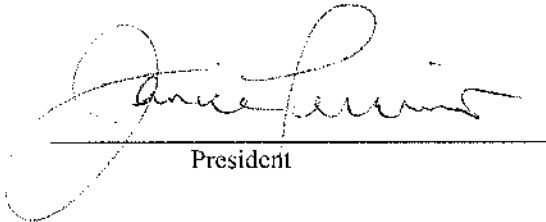
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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 Accounting Standards for Not-for-Profit Organizations.

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 Professional 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.



President

Nanaimo, BC

INDEPENDENT AUDITOR'S REPORT

To the Members of Nanaimo & District Hospital Foundation

We have audited the accompanying non-consolidated financial statements of Nanaimo & District Hospital Foundation, which comprise the non-consolidated statement of financial position as at June 30, 2016 and the non-consolidated statements of operations and changes in net assets and cash flows 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 misstatement.

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 qualified 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. Therefore, we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses, assets and fund balances.

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Independent Auditor's Report to the Members of Nanaimo & District Hospital Foundation *(continued)*

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the non-consolidated financial statements present fairly, in all material respects, the financial position of Nanaimo & District Hospital Foundation as at June 30, 2016 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.

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 on a basis consistent with that of the preceding year.

Hayes Stewart Little & Co.

Nanaimo, BC
September 20, 2016

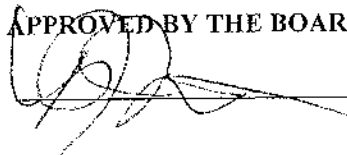
CHARTERED PROFESSIONAL ACCOUNTANTS


NANAIMO & DISTRICT HOSPITAL FOUNDATION
Non-Consolidated Statement of Financial Position
June 30, 2016

	2016	2015
ASSETS		
CURRENT		
Cash (Notes 2, 5)	\$ 628,511	\$ 974,671
Investments (Notes 2, 5)	1,044,292	1,026,921
Accounts receivable	44,691	46,916
Accrued interest receivable	494	1,207
Prepaid expenses	30,142	40,097
Due from subsidiary companies (Note 8)	290,593	198,412
	<u>2,038,723</u>	<u>2,288,224</u>
CAPITAL ASSETS (Notes 2, 6)	827,187	860,891
CASH RESTRICTED FOR ENDOWMENT FUND	-	74,558
INVESTMENTS (Notes 2, 5)	1,597,117	1,472,761
INVESTMENT IN SUBSIDIARIES (Notes 2, 7)	576,186	628,017
	<u>\$ 5,039,213</u>	<u>\$ 5,324,451</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	\$ 91,361	\$ 40,268
Grants payable	1,022,859	894,553
Deferred income (Note 9)	17,017	-
Current portion of long term debt (Note 10)	42,011	40,590
	<u>1,173,248</u>	<u>975,411</u>
LONG TERM DEBT (Note 10)	547,000	589,011
	<u>1,720,248</u>	<u>1,564,422</u>
NET ASSETS		
Unrestricted Fund	242,444	278,180
Internally Restricted Fund (Note 5)	550,000	550,000
	<u>792,444</u>	<u>828,180</u>
Externally Restricted Fund (Note 2)	893,739	1,359,241
Gaming Fund (Note 2)	35,666	25,289
Endowment Fund (Note 2)	1,597,116	1,547,319
	<u>3,318,965</u>	<u>3,760,029</u>
	<u>\$ 5,039,213</u>	<u>\$ 5,324,451</u>

COMMITMENTS AND CONTINGENCIES (Note 13)

APPROVED BY THE BOARD

 Director

 Director

See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Non-Consolidated Statement of Operations and Changes in Net Assets
For the Year Ended June 30, 2016

	General Fund	Externally Restricted Fund	Gaming Fund	Endowment Fund	2016	2015
REVENUE						
Donations <i>(Notes 2, 12)</i>	\$ 941,758	\$ 1,223,354	\$ 24,371	\$ 25,500	\$ 2,214,983	\$ 1,921,276
Investment income (loss) <i>(Notes 2, 5, 8)</i>	37,748	(1,954)	848	43,525	80,167	159,657
Grant revenue <i>(Notes 2, 9)</i>	22,922	-	-	-	22,922	-
Miscellaneous income <i>(Note 8)</i>	70,530	-	-	-	70,530	104,354
Ticket sales <i>(Note 2)</i>	-	-	484,700	-	484,700	500,000
	<u>1,072,958</u>	<u>1,221,400</u>	<u>509,919</u>	<u>69,025</u>	<u>2,873,302</u>	<u>2,685,287</u>
FUNDRAISING EXPENSES						
Bank and investment fees <i>(Note 5)</i>	9,631	3,820	5,115	13,478	32,044	28,588
Insurance	-	12,866	-	-	12,866	18,808
Meetings	107	478	79	-	664	501
Miscellaneous	1,441	2,602	84	-	4,127	1,203
Office	68	380	30	-	478	234
Postage	22,023	7,600	7,018	-	36,641	37,360
Printing	36,201	10,542	24,494	-	71,237	76,030
Publicity and promotion	31,692	121,648	214,010	-	367,350	373,356
Salaries, benefits & recruitment	222,475	289,023	54,102	-	565,600	537,905
Telephone	-	-	4,978	-	4,978	6,232
Travel	466	1,328	263	-	2,057	2,070
	<u>324,104</u>	<u>450,287</u>	<u>310,173</u>	<u>13,478</u>	<u>1,098,042</u>	<u>1,082,287</u>
ADMINISTRATIVE EXPENSES						
Amortization	38,908	-	-	-	38,908	41,594
Education	19,565	-	-	-	19,565	28,513
Insurance	3,226	-	-	-	3,226	5,324
Interest and bank charges	7,279	-	-	-	7,279	8,551
Interest on long term debt	20,292	-	-	-	20,292	21,559

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NANAIMO & DISTRICT HOSPITAL FOUNDATION
Non-Consolidated Statement of Operations and Changes in Net Assets *(continued)*
For the Year Ended June 30, 2016

	General Fund	Externally Restricted Fund	Gaming Fund	Endowment Fund	2016	2015
Meetings	5,444	-	-	-	5,444	7,364
Occupancy costs	33,755	-	-	-	33,755	34,532
Office	45,763	-	-	-	45,763	44,007
Professional fees	21,842	8,246	-	-	30,088	17,719
Publicity and promotion	2,188	-	-	-	2,188	2,340
Salaries, benefits & recruitment	418,415	-	-	-	418,415	382,580
Telephone	6,888	-	-	-	6,888	5,681
Travel	5,407	-	-	-	5,407	7,681
	628,972	8,246	-	-	637,218	607,445
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	119,882	762,867	199,746	55,547	1,138,042	995,555
OTHER INCOME (EXPENSES)						
Grants to Programs <i>(Notes 8, 12, 13)</i>	(274,671)	(987,471)	(259,383)	(5,750)	(1,527,275)	(474,144)
Cost recovery <i>(Notes 2, 11)</i>	170,884	(170,884)	-	-	-	-
Loss of subsidiary corporations <i>(Notes 7, 8)</i>	(51,831)	-	-	-	(51,831)	(61,359)
	(155,618)	(1,158,355)	(259,383)	(5,750)	(1,579,106)	(535,503)
NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	(35,736)	(395,488)	(59,637)	49,797	(441,064)	460,052
NET ASSETS - BEGINNING OF YEAR	828,180	1,359,241	25,289	1,547,319	3,760,029	3,299,977
	828,180	1,359,241	25,289	1,547,319	3,318,965	3,760,029
Interfund transfers <i>(Note 14)</i>	-	(70,014)	70,014	-	-	-
NET ASSETS - END OF YEAR	\$ 792,444	\$ 893,739	\$ 35,666	\$ 1,597,116	\$ 3,318,965	\$ 3,760,029

See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Non-Consolidated Statement of Cash Flows
Year Ended June 30, 2016

	2016	2015
OPERATING ACTIVITIES		
Sources		
Donation and grant receipts	\$ 1,798,424	\$ 1,548,694
Ticket sales	484,700	500,000
Interest received	11,743	19,759
Miscellaneous receipts	70,530	104,354
	<u>2,365,397</u>	<u>2,172,807</u>
Uses		
Payment for operating expenditures	(568,063)	(535,904)
Payment for fundraising expenditures	(709,847)	(744,207)
Payment for gaming expenditures	(310,173)	(318,010)
Interest paid	(20,292)	(21,559)
Grants to programs	(959,996)	(812,614)
	<u>(2,568,371)</u>	<u>(2,432,294)</u>
Cash flow used in operating activities	<u>(202,974)</u>	<u>(259,487)</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(5,204)	(3,169)
Transfer from endowment fund	-	226,298
Purchase of temporary investments	(31,490)	(24,019)
Advances to subsidiary companies	(92,181)	(105,707)
	<u>(128,875)</u>	<u>93,403</u>
Cash flow from (used by) investing activities	<u>(128,875)</u>	<u>93,403</u>
FINANCING ACTIVITY		
Repayment of long term debt	(40,590)	(39,324)
	<u>(40,590)</u>	<u>(39,324)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(372,439)	(205,408)
CASH AND CASH EQUIVALENTS - COST, BEGINNING OF YEAR	1,025,519	1,230,927
CASH AND CASH EQUIVALENTS - COST, END OF YEAR	\$ 653,080	\$ 1,025,519
CASH CONSISTS OF:		
Cash	\$ 628,511	\$ 974,671
Investments - at cost (Note 5)	24,569	50,848
	<u>\$ 653,080</u>	<u>\$ 1,025,519</u>

See notes to non-consolidated financial statements

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

1. PURPOSE OF THE FOUNDATION

Nanaimo & District Hospital Foundation (the "Foundation") is a not-for-profit organization incorporated provincially under the Society Act of British Columbia. As a registered charity the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act 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, which operates a coffee kiosk located at Nanaimo Regional General Hospital, and a cafe located in the new Millstone medical building opposite the hospital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Non-Consolidated financial statements were prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNFPO). Outlined below are those policies considered particularly significant for the Foundation.

Fund accounting

The Nanaimo & District Hospital 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 (2015 - \$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.

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NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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.

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.

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.

Revenue from government contracts is recognized over the term of the agreement.

Investment income is recognized as revenue when earned.

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NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Investments

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

Investments for which there are quoted prices in an actual market are carried at fair market value. Unrealized gains or losses are reported as part of investment income.

Capital assets

Capital assets are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of receipt. Amortization expense is reported in the General Fund. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Buildings	4%	declining balance method
Building fixtures	5 years	straight-line method
Office & computer equipment	3-5 years	straight-line method
Furniture	10 years	straight-line method

Financial instruments policy

The Foundation's financial instruments consist of cash, investments, accounts receivable, accrued interest receivable, accounts payable and accrued liabilities, grants payable, 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.

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NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 amount 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 period.

Significant areas requiring the use of management estimates include accounts receivable, amortization, accrued liabilities and the allocation of investment income.

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 above. Accrued liabilities are based on management estimates. Endowment investments are pooled with internally restricted investments. The investment earnings are calculated and allocated based on the respective holdings. These estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Allocation of expenses

The Foundation engages in providing funding for the 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 Changes in Net Assets 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 Changes in Net Assets as Administrative Expenses, and are allocated directly to the General Fund.

Salaries, benefits and recruitment expenses are incurred to support functional funds and are allocated to fundraising and administrative expenses based on the time study method which is set and reviewed annually with the budget.

3. 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, 2016.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds, long-term debt and accounts payable.

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NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

3. FINANCIAL INSTRUMENTS *(continued)*

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 interest rate risk and other price risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk primarily through its investments and long-term debt.

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 changes 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.

The Foundation monitors investments for fluctuations in price and rebalances the investments as needed in accordance with the Foundation's investment policy.

4. 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 operation 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.

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
Year Ended June 30, 2016

5. CASH AND INVESTMENTS

The cash balance includes \$16,859 (2015 - \$70,471) in funds derived from gaming activities. The use of these funds is restricted by an agreement with the Government of British Columbia Gaming Commission.

The General Fund portfolio investments include \$550,000 (2015 - \$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.

	General Fund	Gaming Fund	Endowment Fund	2016	2015
Investment Portfolio:					
Cash balance	\$ 24,569	\$ -	\$ 37,159	\$ 61,728	\$ 123,764
Portfolio	1,019,723	-	1,559,958	2,579,681	2,375,918
	<u>\$ 1,044,292</u>	<u>\$ -</u>	<u>\$ 1,597,117</u>	<u>\$ 2,641,409</u>	<u>\$ 2,499,682</u>
Investment Income:					
Investment income	\$ 52,787	\$ 848	\$ 57,685	\$ 111,320	\$ 90,471
Realized gain	6,413	-	7,072	13,485	5,563
Realized investment income	<u>59,200</u>	<u>848</u>	<u>64,757</u>	<u>124,805</u>	<u>96,034</u>
Unrealized gain	121,526	-	183,797	305,323	348,007
Less: opening unrealized gain	<u>(142,978)</u>	<u>-</u>	<u>(205,029)</u>	<u>(348,007)</u>	<u>(284,384)</u>
Unrealized investment income	<u>(21,452)</u>	<u>-</u>	<u>(21,232)</u>	<u>(42,684)</u>	<u>63,623</u>
	<u>\$ 37,748</u>	<u>\$ 848</u>	<u>\$ 43,525</u>	<u>\$ 82,121</u>	<u>\$ 159,657</u>

Investment income includes interest, dividends, and realized and unrealized gains (losses) related to measuring the investments at market value at June 30, 2016. Investment management fees of \$23,114 (2015 - \$19,008) have been included in bank and investment fees on the non-consolidated statement of operations and changes in net assets.

Investment income also includes \$1,954 realized loss in the externally restricted fund from stock donations.

6. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net book value	2015 Net book value
Buildings	\$ 1,154,121	\$ 338,201	\$ 815,920	\$ 848,441
Building fixtures	11,301	9,875	1,426	3,687
Furniture	11,457	7,814	3,643	4,592
Office & computer equipment	10,793	4,595	6,198	4,171
	<u>\$ 1,187,672</u>	<u>\$ 360,485</u>	<u>\$ 827,187</u>	<u>\$ 860,891</u>

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

7. INVESTMENT IN SUBSIDIARY COMPANIES

	2016	2015
100% of shares of 629814 B.C. Ltd. (Nanaimo Lifeline)		
Opening Balance	\$ 755,223	\$ 697,377
Net income	75,809	57,846
Closing Balance	831,032	755,223
100% of shares of 606895 B.C. Ltd. (Code Brew)		
Opening Balance	(127,206)	(8,002)
Net loss	(127,640)	(119,204)
Closing Balance	(254,846)	(127,206)
Total Equity Investment in Subsidiaries	\$ 576,186	\$ 628,017

8. DUE FROM SUBSIDIARY COMPANIES AND RELATED TRANSACTIONS

The following is a summary of the Foundation's related party transactions:

	2016	2015
<u>Related party transactions</u>		
<u>606895 B.C. Ltd. operating as Code Brew</u>		
A management fee to Code Brew to recover administrative time spent by Foundation staff	\$ -	\$ 35,329
The Foundation purchased goods and services from Code Brew	3,461	1,081
<u>629814 B.C. Ltd. operating as the Nanaimo Lifeline Program</u>		
A management fee to the Nanaimo Lifeline Program to recover administrative time spent by Foundation staff	\$ 37,368	\$ 35,329
Rent was charged to the Nanaimo Lifeline Program for office space used by the company	28,080	28,080
Interest, included in investment income, was charged on a loan provided to the Nanaimo Lifeline Program. The loan was repaid during the prior year.	-	7
Donations included in Grants to Program	7,000	5,297
Fees to the Nanaimo Lifeline Program to deliver the Check In Service program (as described in note 9), included in grants to programs	4,128	-

Management fees and rental income totaling \$65,448 (2015 - \$98,738) are included in Miscellaneous income.

(continues)

NANAIMO & DISTRICT HOSPITAL FOUNDATION
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Year Ended June 30, 2016

8. DUE FROM SUBSIDIARY COMPANIES AND RELATED TRANSACTIONS (continued)

2016 2015

All of the above transactions with the exception of donations to Nanaimo Lifeline Program 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.

Donations to Nanaimo Lifeline Program are not in the normal course of operations and are measured at the carrying amount.

Due from subsidiary companies:

606895 B.C. Ltd. (Code Brew)	\$	284,801	\$	168,128
629814 B.C. Ltd. (Nanaimo Lifeline Program)		5,792		30,284
	\$	290,593	\$	198,412

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 and a cafe.

In summary form, 629814 B.C. Ltd. and 606895 B.C. Ltd. reported the following unaudited financial information for the year ended June 30, 2016 as follows:

	629814 B.C. Ltd. (Nanaimo Lifeline Program)		606895 B.C. Ltd. (Code Brew)	
	2016	2015	2016	2015
Current assets	\$ 256,401	\$ 207,637	\$ 99,710	\$ 95,972
Non-current assets	610,006	602,410	109,818	114,472
	\$ 866,407	\$ 810,047	\$ 209,528	\$ 210,444
Current liabilities	\$ 35,375	\$ 54,824	\$ 464,374	\$ 337,650
Shareholder's Equity	831,032	755,223	(254,846)	(127,206)
	\$ 866,407	\$ 810,047	\$ 209,528	\$ 210,444
Revenues	\$ 862,967	\$ 760,907	\$ 794,382	\$ 708,094
Expenses	(790,439)	(707,186)	(922,301)	(827,638)
Other income	3,281	4,125	279	340
	\$ 75,809	\$ 57,846	\$ (127,640)	\$ (119,204)
Cash from (used in) operating activities	\$ 208,452	\$ 158,454	\$ (102,639)	\$ (124,263)
Cash from (used in) financing activities	(24,492)	(6,970)	116,673	238,678
Cash from (used in) investing activities	(114,123)	(226,114)	1,469	(99,331)
Total increase (decrease) in cash flow	\$ 69,837	\$ (74,630)	\$ 15,503	\$ 15,084

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

9. DEFERRED INCOME

During the year, the Foundation entered into an agreement with the Ministry of Employment and Social Development to provide services with the goal of reducing the rate of socially isolated vulnerable seniors ("Check in Service Program"). Deferred income represents grant revenue in the current year related to work being performed in the subsequent year.

10. LONG TERM DEBT

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.

	2016	2015
	\$ 589,011	\$ 629,601
Amounts payable within one year	(42,011)	(40,590)
	\$ 547,000	\$ 589,011

Principal repayment terms are approximately:

2017	\$ 42,011
2018	547,000
	\$ 589,011

11. INTERFUND CHARGES

An administration charge of \$170,884 (2015 - \$124,939), representing up to 18% of designated donations to certain restricted funds, has been reported as a cost recovery.

12. DONATIONS AND GIFTS-IN-KIND

Donations recognized in the general fund include gifts-in-kind received in fiscal 2016 having a fair value of \$91,371 (2015 - \$63,456). A corresponding amount has been included in grants to programs. Also included in donations revenue is stock gifted of \$339,627 (2015 - \$150,177).

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
Year Ended June 30, 2016

13. COMMITMENTS AND CONTINGENCIES

At June 30, 2016, the Foundation has committed to raise funds for the following future projects and equipment:

CT scanner	\$ 900,000
MORE Program-Perinatal Education	347,000
Heart Health Echo Machine & Bike System	288,000
Digital mammography System	168,000
OHC-Ultrasound Machine	140,000
Fully Adjustable Fluoroscopy Bed	65,000
Steris Arm	58,000
Eden Gardens Project	50,000
Portable Ultrasound	38,000
ENT LED Microscope	22,000
Electric Dialysis Chair	17,000
Miscellaneous Equipment	25,000
TOTAL	\$ 2,118,000

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 Island Health and other parties.

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

The Foundation has guaranteed the lease payments for the lease held by the subsidiary company, 606895 B.C. Ltd., operating as Code Brew, at the Millstone location. The lease expires on December 31, 2019. Under the lease, Code Brew is required to pay a rent of \$5,000 per month plus applicable utilities, property taxes, and strata fees.

14. INTERFUND BALANCES

The externally restricted funds have interfund loans and receivables totaling \$909,298 (2015 - \$1,288,799). The funds report the following amounts payable:

	2016	2015
General Fund	\$ 925,210	\$ 1,238,113
Gaming Fund	(15,912)	50,686
	\$ 909,298	\$ 1,288,799

There are no set terms or conditions on borrowings from other funds.

During the year, the Foundation transferred \$70,014 from the externally restricted fund to the gaming fund to provide additional grants to programs.

NANAIMO & DISTRICT HOSPITAL FOUNDATION
Notes to Non-Consolidated Financial Statements
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15. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the Foundation will be able to realize its assets and discharge its liabilities in the normal 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. 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.

16. PLEDGES AND BEQUESTS

The Foundation receives pledges and bequests from donors. Management estimates that the Foundation will receive pledges and bequests of approximately \$730,876 (2015 - \$736,189) within the next fiscal year which will be recognized as revenue in the financial statements when received. Approximately \$45,376 (2015 - \$495,000) of the pledges and bequests are expected to be unrestricted contributions.

Subsequent to the year end, the Foundation received \$60,000 of the bequests.