

Hanover And District Hospital  
Foundation  
Consolidated Financial Statements  
For the year ended December 31, 2020

DRAFT - SUBJECT TO CHANGE

Hanover And District Hospital Foundation  
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For the year ended December 31, 2020

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## Independent Auditor's Report

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To the Members of Hanover And District Hospital Foundation

### Qualified Opinion

We have audited the consolidated financial statements of Hanover And District Hospital Foundation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of operations and changes in fund balances and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Qualified Opinion

In common with many not-for-profit organizations, the Group derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Group. Therefore, we were not able to determine whether any adjustments might be necessary to donation or fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2020 and 2019, current assets as at December 31, 2020 and 2019, and net assets as at January 1 and December 31 for both the 2020 and 2019 years. Our audit opinion on the consolidated financial statements for the year ended December 31, 2019 was modified accordingly because of the possible effects of this limitation in scope.

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

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

Management is responsible for the preparation and fair presentation of the 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Hanover, Ontario

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Hanover And District Hospital Foundation  
Consolidated Statement of Financial Position

December 31					2020	2019
	General Fund	Scholarship Fund	Project Fund	Endowment Fund	Total	Total
<b>Assets</b>						
<b>Current</b>						
Cash	\$ 223,747	\$ -	\$ -	\$ -	\$ 223,747	\$ 160,538
Other receivables	12,586	-	-	660,000	672,586	19,988
Due from (to) other funds	100,412	1,436	507,798	(609,646)	-	-
Prepaid expenses	4,411	-	-	-	4,411	460
	<u>341,156</u>	<u>1,436</u>	<u>507,798</u>	<u>50,354</u>	<u>900,744</u>	<u>180,986</u>
Investments (Note 2)	-	-	-	4,545,490	4,545,490	4,393,507
Capital Assets (Note 3)	254,394	-	-	-	254,394	257,800
	<u>\$ 595,550</u>	<u>\$ 1,436</u>	<u>\$ 507,798</u>	<u>\$ 4,595,844</u>	<u>\$ 5,700,628</u>	<u>\$ 4,832,293</u>
<b>Liabilities and Net Assets</b>						
<b>Current</b>						
Accounts payable	\$ 20,244	\$ -	\$ -	\$ -	\$ 20,244	\$ 20,422
<b>Commitments (Note 5)</b>						
<b>Fund Balances</b>						
Endowment fund	-	-	-	4,595,844	4,595,844	3,916,841
Project Fund	-	-	507,798	-	507,798	423,941
Scholarship Fund	-	1,436	-	-	1,436	2,436
Unrestricted	575,306	-	-	-	575,306	468,653
	<u>575,306</u>	<u>1,436</u>	<u>507,798</u>	<u>4,595,844</u>	<u>5,680,384</u>	<u>4,811,871</u>
	<u>\$ 595,550</u>	<u>\$ 1,436</u>	<u>\$ 507,798</u>	<u>\$ 4,595,844</u>	<u>\$ 5,700,628</u>	<u>\$ 4,832,293</u>

On behalf of the Board:

\_\_\_\_\_ Director  
\_\_\_\_\_ Director

The accompanying notes are an integral part of these financial statements.

Hanover And District Hospital Foundation  
Consolidated Statement of Operations and Changes in Fund Balances

For the year ended December 31

	General Fund		Scholarship Fund		Project Fund		Endowment Fund	
	2020	2019	2020	2019	2020	2019	2020	2019
Revenues								
Donations	\$ 328,549	\$ 156,571	\$ -	\$ 1,500	\$ 217,462	\$ 149,236	\$ 679,003	\$ 1,303
Fund-raising	-	-	-	-	54,368	93,502	-	-
Memory Garden revenue	-	1,675	-	-	-	-	-	-
Interest, dividends and mutual fund income	116,922	140,166	-	-	-	-	-	-
Gain (loss) on sale of investments	(101,242)	39,576	-	-	-	-	-	-
Net unrealized gain (loss) on investments	147,795	272,607	-	-	-	-	-	-
Resident house expenses - net	(3,131)	(8,480)	-	-	-	-	-	-
	<u>488,893</u>	<u>602,115</u>	<u>-</u>	<u>1,500</u>	<u>271,830</u>	<u>242,738</u>	<u>679,003</u>	<u>1,303</u>
Expenses								
Office and administration	155,376	108,464	-	-	-	-	-	-
Amortization	3,407	3,247	-	-	-	-	-	-
Contribution to Hanover and District Hospital	72,797	58,000	-	-	186,000	636,323	-	-
Contribution to Chaplaincy Trust	7,200	7,200	-	-	-	-	-	-
Fund-raising	6,218	1,222	-	-	1,973	42,301	-	-
Investment management fees	24,766	24,223	-	-	-	-	-	-
Memory Garden expense	231	548	-	-	-	-	-	-
Scholarships awarded	-	-	1,000	500	-	-	-	-
Physician recruitment and retention expenditures	112,245	60,863	-	-	-	-	-	-
	<u>382,240</u>	<u>263,767</u>	<u>1,000</u>	<u>500</u>	<u>187,973</u>	<u>678,624</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenses (expenses over revenues) for the year	106,653	338,348	(1,000)	1,000	83,857	(435,886)	679,003	1,303
Fund balances, beginning of year	468,653	130,305	2,436	1,436	423,941	859,827	3,916,841	3,915,538
Fund balances, end of year	<u>\$ 575,306</u>	<u>\$ 468,653</u>	<u>\$ 1,436</u>	<u>\$ 2,436</u>	<u>\$ 507,798</u>	<u>\$ 423,941</u>	<u>\$4,595,844</u>	<u>\$3,916,841</u>

The accompanying notes are an integral part of these financial statements.

## Hanover And District Hospital Foundation Consolidated Statement of Cash Flows

For the year ended December 31	2020	2019
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses (expenses over revenues) for the year from		
General fund	\$ 106,653	\$ 338,348
Scholarship fund	(1,000)	1,000
Project fund	83,857	(435,886)
Endowment fund	679,003	1,303
	<u>868,513</u>	<u>(95,235)</u>
Items not involving cash		
Amortization	3,407	3,247
(Gain) loss on sale of investments	101,242	(39,576)
Net unrealized (gain) loss on investments	<u>(147,795)</u>	<u>(272,607)</u>
	825,367	(404,171)
Changes in non-cash working capital balances		
Accounts receivable	(652,599)	12,992
Prepaid expenses	(3,950)	950
Accounts payable and accrued liabilities	<u>(178)</u>	<u>3,397</u>
	<u>168,640</u>	<u>(386,832)</u>
Investing activities		
Increase in cash surrender value of life insurance	(1,362)	(1,303)
Proceeds on sale of investments	1,389,606	1,604,546
Purchase of investments	<u>(1,493,675)</u>	<u>(1,738,848)</u>
	<u>(105,431)</u>	<u>(135,605)</u>
Increase in cash during the year	63,209	(522,437)
Cash, beginning of year	<u>160,538</u>	<u>682,975</u>
Cash, end of year	<u>\$ 223,747</u>	<u>\$ 160,538</u>

The accompanying notes are an integral part of these financial statements.

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# Hanover And District Hospital Foundation Notes to Consolidated Financial Statements

December 31, 2020

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## 1. Nature of Operations and Summary of Significant Accounting Policies

### Nature and Purpose of Organization

Hanover And District Hospital Foundation is a non-profit organization incorporated without share capital under the laws of Ontario. The Hanover And District Hospital Foundation collects donations for the purpose of supporting the local hospital.

The Hanover And District Hospital Foundation is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

### Basis of Accounting

The consolidated financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

### Fund Accounting

The Hanover And District Hospital Foundation follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Hanover And District Hospital Foundation's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants and contributions.

The Scholarship Fund reports only restricted resources that are to be used for the purpose of providing scholarships to students in the medical field.

The Endowment Fund reports resources contributed for endowment that are not to be expended by the Hanover And District Hospital Foundation.

The Project Fund reports restricted resources that are to be used for the purpose of the Hanover And District Hospital Foundation's current fundraising project.

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# Hanover And District Hospital Foundation

## Notes to Consolidated Financial Statements

December 31, 2020

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### 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents	Cash and cash equivalents consists of unrestricted cash on hand, bank balances and guaranteed investment certificates with a duration of less than ninety days from the date of acquisition.												
Contributions Receivable	Contributions receivable are recognized as an asset when the amounts to be received can be reasonably estimated and ultimate collection is reasonably assured.												
Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.												
Capital Assets	<p>Purchased capital assets, comprising land, buildings, furniture and equipment are stated at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Amortization based on the estimated useful life of the asset is calculated as follows:</p> <table><tr><td>Building</td><td>-</td><td>2% straight line basis, \$100,000 residual</td></tr><tr><td>Driveway &amp; Equipment</td><td>-</td><td>5% straight line basis</td></tr><tr><td>Computer equipment</td><td>-</td><td>20% straight line basis</td></tr><tr><td>Furniture &amp; Fixtures</td><td>-</td><td>20% straight line basis</td></tr></table>	Building	-	2% straight line basis, \$100,000 residual	Driveway & Equipment	-	5% straight line basis	Computer equipment	-	20% straight line basis	Furniture & Fixtures	-	20% straight line basis
Building	-	2% straight line basis, \$100,000 residual											
Driveway & Equipment	-	5% straight line basis											
Computer equipment	-	20% straight line basis											
Furniture & Fixtures	-	20% straight line basis											

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# Hanover And District Hospital Foundation Notes to Consolidated Financial Statements

December 31, 2020

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## 1. Nature of Operations and Summary of Significant Accounting Policies (continued)

**Revenue Recognition** Restricted contributions are recognized as revenue of the appropriate restricted fund.

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

Contributions for endowment are recognized as revenue in the Endowment Fund.

Unrestricted investment income earned on Endowment Fund resources is recognized as revenue of the General Fund. All other investment income is recognized as revenue of the General Fund when earned.

**Contributed Services** Volunteers contributed about 276 hours in the year to assist the organization in carrying out its service delivery activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

**Controlled Entities** These financial statements include the accounts of all controlled not-for-profit organizations of the Hanover And District Hospital Foundation. All significant interdivisional transactions have been eliminated.

The assets, liabilities, and operations of the following controlled not-for-profit organization have been included in these financial statements:

- Hanover Physician Recruitment & Retention Committee

Hanover Physician Recruitment & Retention Committee is a non-profit committee for the purpose of recruiting and retaining physicians to practice medicine in Hanover.

The Hanover Physician Recruitment & Retention Committee is a non-profit committee and as such, is exempt from income tax.

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## Hanover And District Hospital Foundation Notes to Consolidated Financial Statements

December 31, 2020

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1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period except for the foreign currency gains and losses on long-term monetary items which are deferred and amortized over the remaining terms of the related items.

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2. Long-term Investments

	2020	2019
Cash and money market funds	\$ 89,655	\$ 255,567
Bond and bond funds	2,221,763	1,678,564
Equities	1,070,906	1,027,582
Mutual Funds	1,142,983	1,412,973
Cash surrender value of life insurance policy	20,183	18,821
	<b>\$ 4,545,490</b>	<b>\$ 4,393,507</b>
Cost	<b>\$ 3,929,229</b>	<b>\$ 3,951,638</b>

The investments listed above are non-derivative financial assets and have been accounted for at fair value. The fair values of these investments were determined by reference to public price quotations in an active market.

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## Hanover And District Hospital Foundation Notes to Consolidated Financial Statements

December 31, 2020

### 3. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Resident House				
Land	\$ 50,772	\$ -	\$ 50,772	\$ -
Buildings	212,335	18,722	212,335	16,850
Machinery and equipment	3,050	1,307	3,050	1,175
Furniture and fixtures	19,484	19,484	19,484	18,910
Driveway	16,545	8,279	16,545	7,451
	<u>302,186</u>	<u>47,792</u>	<u>302,186</u>	<u>44,386</u>
Foundation Office				
Computer equipment	11,510	11,510	11,510	11,510
	<u>\$ 313,696</u>	<u>\$ 59,302</u>	<u>\$ 313,696</u>	<u>\$ 55,896</u>
Net book value		<u>\$ 254,394</u>		<u>\$ 257,800</u>

### 4. Related Party Transactions

The Foundation is significantly influenced by the Hanover and District Hospital.

The following table summarizes the Hanover And District Hospital Foundation's transactions with Hanover and District Hospital for the year:

	2020	2019
- Contributions to Hanover and District Hospital	\$ 258,797	\$ 694,323
- Office and administration expenses	124,322	81,354
	<u>\$ 383,119</u>	<u>\$ 775,677</u>

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

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## Hanover And District Hospital Foundation Notes to Consolidated Financial Statements

December 31, 2020

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### 5. Commitments

The Foundation has entered into contracts over the next two fiscal years totaling approximately \$61,500.

The Foundation has been informed that they have been named as a beneficiary in a number of wills. No amount has been recognized in the financial statements until funds are received.

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### 6. Uncertainty due to COVID-19

The outbreak of the novel strain of the coronavirus, specifically identified as 'COVID-19', has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. As a result, global equity markets and oil prices have experienced significant volatility and weakness. Due to the uncertainty of this outbreak, it is not possible to reliably estimate the length and severity of these developments and its impact on the financial results and condition of the organization.

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## Hanover And District Hospital Foundation Notes to Consolidated Financial Statements

December 31, 2020

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### 7. Financial Instrument Risk

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its accounts and contributions receivable.

#### Liquidity risk

Liquidity risk is the risk that the company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable. The Foundation manages liquidity risk through its investments.

#### Market risk

The company is exposed to fluctuations in equity markets on its investments.

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