

Northumberland Hills Hospital Foundation
Financial Statements
For the year ended March 31, 2024

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Independent Auditor's Report

To the Members of Northumberland Hills Hospital Foundation

Qualified Opinion

We have audited the accompanying financial statements of Northumberland Hills Hospital Foundation (the Foundation), which comprise the statement of financial position as at March 31, 2024, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2024, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from fundraising revenue and donations, 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 organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue and donations, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2024 and 2023, current assets as at March 31, 2024 and 2023, and net assets as at April 1 and March 31 for both the 2024 and 2023 years. Our audit opinion on the financial statements for the year ended March 31, 2023 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 Financial Statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

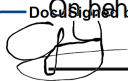
BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants

Lindsay, Ontario
May 17, 2024

Northumberland Hills Hospital Foundation Statement of Financial Position

| March 31 | General Fund | Endowment Fund | 2024 | 2023 |
|--|----------------------|---------------------|----------------------|----------------------|
| Assets | | | | |
| Current | | | | |
| Cash | \$ 81,092 | \$ - | \$ 81,092 | \$ 394,181 |
| HST receivable | 7,095 | - | 7,095 | 25,373 |
| Investments (Note 2) | 12,674,145 | - | 12,674,145 | 9,090,838 |
| Interfund receivable (payable) | (116,325) | 116,325 | - | - |
| | 12,646,007 | 116,325 | 12,762,332 | 9,510,392 |
| Investments (Note 2) | - | 8,330,240 | 8,330,240 | 6,934,213 |
| | \$ 12,646,007 | \$ 8,446,565 | \$ 21,092,572 | \$ 16,444,605 |
| Liabilities and Net Assets | | | | |
| Liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 54,845 | \$ - | \$ 54,845 | \$ 51,743 |
| Accounts payable - NHH equipment purchases | 88,337 | - | 88,337 | 297,685 |
| Accounts payable - NHH special projects | 45,679 | - | 45,679 | 140,000 |
| Accounts payable - NHH educational program | - | 115,726 | 115,726 | 217,011 |
| Deferred revenue | 16,000 | - | 16,000 | 25,000 |
| | 204,861 | 115,726 | 320,587 | 731,439 |
| Net Assets | | | | |
| Restricted (Note 3) | 7,006,357 | 6,893,685 | 13,900,042 | 10,036,134 |
| Internally restricted | 500,000 | 1,437,154 | 1,937,154 | 1,577,180 |
| Unrestricted | 4,934,789 | - | 4,934,789 | 4,099,852 |
| | 12,441,146 | 8,330,839 | 20,771,985 | 15,713,166 |
| | \$ 12,646,007 | \$ 8,446,565 | \$ 21,092,572 | \$ 16,444,605 |

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**Northumberland Hills Hospital Foundation
Statement of Changes in Net Assets**

For the year ended March 31

2024 2023

| | General Fund | Endowment Fund | Total | Total |
|--|-------------------------|---------------------------|----------------------|---------------|
| Balance , beginning of year | \$ 8,236,890 | \$ 7,476,276 | \$ 15,713,166 | \$ 13,076,312 |
| Excess (deficiency) of revenues over expenses | 4,411,415 | 647,404 | 5,058,819 | 2,636,854 |
| | 12,648,305 | 8,123,680 | 20,771,985 | 15,713,166 |
| Interfund transfers | | | | |
| Internal fund transfer - planned giving | (223,159) | 223,159 | - | - |
| Administration fee | 16,000 | (16,000) | - | - |
| Balance , end of year | \$ 12,441,146 | \$ 8,330,839 | \$ 20,771,985 | \$ 15,713,166 |

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

Northumberland Hills Hospital Foundation Statement of Operations

For the year ended March 31

2024

2023

| | General Fund | Endowment Fund | Total | Total |
|---|---------------------|-------------------|---------------------|---------------------|
| Revenues | | | | |
| Donations | \$ 179,306 | \$ - | \$ 179,306 | \$ 260,195 |
| Exceptional Community, Exceptional Care Program | 3,227,076 | - | 3,227,076 | 2,431,481 |
| Caring for Generations/Business partners | 144,834 | - | 144,834 | 156,108 |
| Signature events | 655,271 | - | 655,271 | 660,476 |
| Third party events | 101,998 | - | 101,998 | 84,771 |
| In Memoriam donations/Commemorative giving | 91,262 | - | 91,262 | 79,554 |
| Planned giving | 2,231,593 | - | 2,231,593 | 1,543,799 |
| Endowment donations | - | 103,004 | 103,004 | 134,083 |
| | 6,631,340 | 103,004 | 6,734,344 | 5,350,467 |
| Expenses | | | | |
| Advertising and creative | 10,496 | - | 10,496 | 12,196 |
| Bank charges | 10,027 | - | 10,027 | 9,232 |
| Board/staff development and travel | 9,195 | - | 9,195 | 5,964 |
| Computer supplies and software | 13,413 | - | 13,413 | 10,389 |
| Fundraising | 65,500 | - | 65,500 | 143,519 |
| Hospital services chargeback (Note 4) | 6,389 | - | 6,389 | 6,236 |
| Mailings and postage | 9,199 | - | 9,199 | 12,156 |
| Memberships | 3,003 | - | 3,003 | 2,409 |
| Office and miscellaneous | 10,299 | - | 10,299 | 9,926 |
| Printing and newsletter | 7,077 | - | 7,077 | 7,831 |
| Professional and contract services | 17,686 | - | 17,686 | 23,581 |
| Salaries and benefits (Note 4) | 501,240 | - | 501,240 | 414,664 |
| Stewardship | 79,368 | - | 79,368 | 39,014 |
| Strategic and capital campaign planning | 97,288 | - | 97,288 | 179,731 |
| | 840,180 | - | 840,180 | 876,848 |
| Excess of revenues over expenses before investment income, expenses and distributions | 5,791,160 | 103,004 | 5,894,164 | 4,473,619 |
| Investment income and expenses | | | | |
| Investment income | 506,868 | 431,280 | 938,148 | 369,892 |
| Gain (loss) on sale of investments | - | (42,237) | (42,237) | 312,363 |
| Gain (loss) on sale of donated shares | (7,655) | - | (7,655) | 12,467 |
| Increase (decrease) in unrealized gains on investments | 1,043 | 420,809 | 421,852 | (505,977) |
| Investment administration fees | - | (48,441) | (48,441) | (47,189) |
| Excess of revenues over expenses before distributions to Northumberland Hills Hospital | 6,291,416 | 864,415 | 7,155,831 | 4,615,175 |
| Donations and distributions to Hospital (Note 4) | 1,880,001 | 217,011 | 2,097,012 | 1,978,321 |
| Excess (deficiency) of revenues over expenses | \$ 4,411,415 | \$ 647,404 | \$ 5,058,819 | \$ 2,636,854 |

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

Northumberland Hills Hospital Foundation Statement of Cash Flows

For the year ended March 31

| | 2024 | | 2023 | |
|--|-----------------|-------------------|--------------|--------------|
| | General Fund | Endowment Fund | Total | Total |
| Cash flows from operating activities | | | | |
| Excess (deficiency) of revenues over expenses | \$ 4,411,415 | \$ 647,404 | \$ 5,058,819 | \$ 2,636,854 |
| Items not involving cash | | | | |
| (Gain) loss on sale of investments | 7,655 | 42,237 | 49,892 | (324,830) |
| Increase (decrease) in unrealized gains and losses on investments | (1,043) | (420,809) | (421,852) | 505,977 |
| | 4,418,027 | 268,832 | 4,686,859 | 2,818,001 |
| Changes in non-cash working capital balances | | | | |
| HST receivable | 18,278 | - | 18,278 | (5,339) |
| Interfund receivable (payable) | (642,749) | 642,749 | - | - |
| Accounts payable and accrued liabilities | 3,102 | - | 3,102 | 5,630 |
| Accounts payable - NHH equipment purchases | (209,348) | - | (209,348) | (378,372) |
| Accounts payable - NHH special projects | (94,321) | - | (94,321) | (235) |
| Accounts payable - NHH educational program | - | (101,285) | (101,285) | 94,611 |
| Accounts payable - NHH clinical information system | - | - | - | (2,821,771) |
| Deferred revenue | (9,000) | - | (9,000) | (5,000) |
| | 3,483,989 | 810,296 | 4,294,285 | (292,475) |
| Cash flows from investing activities | | | | |
| Purchase of investments | (7,086,716) | (1,331,566) | (8,418,282) | (3,231,775) |
| Sale of investments | 3,289,638 | 521,270 | 3,810,908 | 3,772,663 |
| | (3,797,078) | (810,296) | (4,607,374) | 540,888 |
| Increase in cash during the year | (313,089) | - | (313,089) | 248,413 |
| Cash and equivalents, beginning of year | 394,181 | - | 394,181 | 145,768 |
| Cash and equivalents, end of year | \$ 81,092 | \$ - | \$ 81,092 | \$ 394,181 |

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2024

1. Nature of Operations and Summary of Significant Accounting Policies

Nature and Purpose of Organization

Northumberland Hills Hospital Foundation ("the Foundation") is incorporated without share capital under the Corporations Act, Ontario and is a charitable organization whose purpose is to raise funds for the Hospital and health care. The Foundation is a registered charity, and accordingly is exempt from income tax and may issue income tax receipts to donors.

The mission of the Foundation is to improve health care and the quality of life in our communities by growing and maintaining donor support for key hospital capital, program and education needs.

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of goods or services received and the creation of a legal obligation to pay.

Fund Accounting

The Foundation follows the Restricted Fund method of accounting for contributions.

The General Fund represents all ongoing fundraising activities and supports other board approved programs. The objective of the fund is to distribute up to 80% of the current year's undesignated net operating cash flow. Net operating cash flow represents total fundraising revenues less total administrative and program expenses, less designated gifts, and less 10% of the full amount of unrestricted bequests transferred to the endowment fund. Funds are disbursed upon request from the hospital for approved capital items and/or program expenses.

The General Fund includes an internally restricted fund balance for a \$500,000 operating reserve.

The General Fund includes a restricted fund balance that is known in the community as The Exceptional Community, Exceptional Care Fund. These restricted funds are primarily for the purchase of diagnostic imaging equipment, the advancement of a clinical information system, redevelopment of existing hospital space, and for annual ongoing equipment renewal. In addition donor funds received for specific purposes are recognized in this fund.

The Endowment Fund consists of General and Named Endowments.

General Endowments are internally restricted and reflect 10% of the amount of general bequests received by the Foundation and unnamed endowments, to be held and invested permanently. Investment income on General Endowments is accumulated and will be disbursed annually to finance hospital capital requirements as approved by the Foundation Board and in accordance with Canada Revenue Agency requirements.

Northumberland Hills Hospital Foundation

Notes to Financial Statements

March 31, 2024

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

| | |
|--------------------------------------|--|
| Fund accounting | Named Endowments reflect externally restricted donation contributions, with a minimum donation amount of \$100,000, the proceeds of which are to be invested and held permanently by the Foundation, and subject to individual endowment agreements entered into by the specific donor and the Foundation. The investment income will be accumulated in the fund. Disbursements of income from the fund shall be in accordance with the terms of the specific endowment and Canada Revenue Agency requirements. |
| Foreign Currency Translations | Foreign currency amounts are translated into Canadian dollars as follows: At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by using 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 the balance sheet date. The resulting foreign exchange gains and losses are included in income in the current period. |
| Use of Estimates | The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the preparation of these financial statements include, but are not limited to, accounts payable and accrued liabilities. Actual results could differ from management's best estimates as additional information becomes available in the future. |
| Investments | Investments are recorded at fair value. Fair values of the investments are determined by reference to published price quotations provided by the organization's investment brokers. Realized gains and losses on the sale of investments are determined on a completed transaction basis. |
| Revenue Recognition | Externally restricted contributions (grants, donations, equipped to care program) are recognized in the fund corresponding to the purpose for which they are contributed. Contributions are recognized as revenue in the General Fund and consists of Donations, Caring for Generations/Business partners, Signature and Third Party events, Planned Givings, and receipts from pledges. Donation contributions received for specific equipment are also included as revenue of the General Fund, if no specific restricted fund exists. Investment income includes dividend and interest income, realized investment gains and losses on sales of investments, and unrealized gains and losses on investments measured at fair value. |

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2024

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

| | |
|-------------------------------|--|
| Contributed Services | The Foundation would not be able to carry out its activities without the services of many volunteers who donate a considerable number of hours. Because of the difficulty of compiling these hours, contributed services are not recognized in the financial statements. The value of donated gifts-in-kind have not been reflected in the records as their monetary value cannot be ascertained. |
| Recognition of Pledges | Due to the uncertainty surrounding the collectibility of pledges, the organization does not recognize pledges until received, since they are not considered legal obligations. |
| Pension Plan | The Foundation is part of a multi-employer defined benefit pension plan which is accounted for using defined contribution accounting. The Foundation is unable to apply defined benefit accounting since the information is controlled by an external source (see Note 5). |
| Financial Instruments | The organization's financial assets and liabilities are recorded at fair value when acquired or issued. In subsequent periods, they are reported at cost or amortized cost less impairment, if applicable. Impairment of the financial assets is tested only when indications of a possible impairment exist. Any transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and is recognized in net income over the life of the financial instrument using the straight-line method. |
| Cash and equivalents | Cash and cash equivalents consists of cash on hand and balances in bank accounts. |

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2024

2. Investments

| | 2024 | | 2023 | |
|-------------------------------|----------------------|---|----------------------|----------------------|
| | Cost | Accumulated Unrealized Gains (losses) | Market Value | Market Value |
| General Fund | | | | |
| High interest savings account | \$ 12,674,145 | \$ - | \$ 12,674,145 | \$ 9,061,124 |
| Fixed income | - | - | - | 29,714 |
| Total general fund | 12,674,145 | - | 12,674,145 | 9,090,838 |
| Endowments | | | | |
| Pooled Mutual Funds | 8,751,391 | (421,151) | 8,330,240 | 6,934,213 |
| Total investments | \$ 21,425,536 | \$ (421,151) | \$ 21,004,385 | \$ 16,025,051 |

3. Restricted Net Assets - General Fund

| | 2024 | | 2023 | |
|---|---------------------|--|---------------------|--|
| Opening balance | \$ 3,703,532 | | \$ 1,557,938 | |
| Add: Donations received | 3,672,245 | | 2,431,481 | |
| | 7,375,777 | | 3,989,419 | |
| Less: Distributions to Hospital for Education Programs | (153,526) | | - | |
| Less: Distributions to Hospital for Special Projects | - | | (140,000) | |
| Less: Distributions to Hospital for Local Mental Health Initiatives | (215,894) | | (145,887) | |
| | \$ 7,006,357 | | \$ 3,703,532 | |

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2024

4. Related Party Transactions

During the year, the following transactions occurred between the Northumberland Hills Hospital Foundation and the Northumberland Hills Hospital. The Foundation and the Hospital are related through common Board Members:

- a) Hospital Service chargebacks of \$6,389 (2023 - \$6,236).
- b) Personnel costs and benefits on a cost-recovery basis of \$501,240 (2023 - \$414,664).
- c) Donations and distributions to the Northumberland Hills Hospital of \$2,097,012 (2023 - \$1,978,321).

The year-end accounts payable and accrued liabilities include the following amounts owed to Northumberland Hills Hospital. The following amounts have been included in the above transaction totals.

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| Personnel costs, benefits and chargebacks | \$ 44,343 | \$ 37,486 |
| Donations and distributions to the Northumberland Hills Hospital | | |
| Equipment purchases | 88,337 | 297,685 |
| Special projects | 45,679 | 140,000 |
| Program funding | 115,726 | 217,011 |
| | <u>\$ 294,085</u> | <u>\$ 692,182</u> |

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

5. Pension Plan

Substantially all of the employees of the Foundation are members of the Healthcare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates to pay.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. Each year an independent actuary determines the funding status of the Plan. The most recent actuarial valuation of the Plan as at December 31, 2023 indicates the Plan is 115% funded.

Employer contributions made to the Plan during the year by the Foundation are reflected in the statement of operations and amounted to \$36,643 (2023 - \$30,356).

Northumberland Hills Hospital Foundation Notes to Financial Statements

March 31, 2024

6. Commitments

Capital Campaign

In January 2020, the Foundation agreed to undertake a five year comprehensive capital campaign beginning in fiscal 2021, which is designed to raise a minimum of \$25,000,000 (gross) primarily for the purchase of diagnostic imaging equipment, the advancement of a clinical information system, redevelopment of existing hospital space, and for annual ongoing equipment renewal.

Educational Programs

The Foundation entered into an agreement to assist with the educational programs for staff of the Hospital for a total amount of \$48,589. As at March 31, 2024, an additional \$282,840 was committed for the education programs, bringing the total commitment to \$331,429. As of year-end, \$37,801 of this commitment has been paid with a further \$115,726 included in accounts payable and accrued liabilities at year-end. After all amounts are paid, a remaining commitment of \$177,903 will be outstanding.

Local Mental Health Initiatives

The Foundation has committed \$270,833 to local mental health initiative programs and it is anticipated these funds will be spent over a three year period beginning in fiscal 2022. As at March 31, 2024, \$170,215 of this commitment has been paid with a further \$45,679 included in accounts payable and accrued liabilities at year-end. After all amounts are paid, a remaining commitment of \$54,939 will be outstanding.

7. Pledges

The Foundation defines a pledge as a commitment in writing with due dates extending beyond 12 months from the date the pledge is made. Pledges receivable are not reflected in the statement of financial position since they are not considered legal obligations.

The Foundation has pledges receivable of \$4,309,238 (2023 - \$3,358,000) for the Exceptional Community, Exceptional Care Fund.

Northumberland Hills Hospital Foundation

Notes to Financial Statements

March 31, 2024

8. Financial Instruments

There have been no changes to the Foundation's financial instrument risk exposure from the prior year, but the Foundation is exposed to the following financial instrument risks:

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 Foundation's bank accounts are held at a major financial institution and the investments are held primarily with two major investment brokers.

Interest Rate Risk

Interest rate risk is the risk that the fair value of 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 high interest savings, fixed income and mutual fund investments, which represent the entire of the fair market value of the investments disclosed in Note 2 to these financial statements.

Currency Rate Risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. The Foundation is exposed to market risk on its investments through fluctuations in the bond and equity markets and these investments are not guaranteed. To manage these risks, the Foundation uses independent investment advisors and has developed an investment policy guideline to reduce risk. The Foundation receives monthly statements and meets on a quarterly and yearly basis with investment counsel.
