

DURHAM HOSPITAL FOUNDATION INC.

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

DURHAM HOSPITAL FOUNDATION INC.

FINANCIAL STATEMENTS

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INDEX

	<u>Page</u>
Auditor's Report	2
Balance Sheet	3
Statement of Changes in Net Assets	4
Statement of Revenues and Expenditures	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12
Schedule of Property Management	13

INDEPENDENT AUDITOR'S REPORT

To the Members of Durham Hospital Foundation Inc.

Qualified Opinion

We have audited the financial statements of Durham Hospital Foundation Inc., which comprise the balance sheet as at December 31, 2021 and the statements of operations, fund balances 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 Durham Hospital Foundation Inc. as at December 31, 2021 and its financial performance and 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, Durham Hospital Foundation Inc. derives revenue from contributions and support, 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 organization. Therefore, we were not able to determine whether any adjustments might have been found necessary with respect to contribution and support revenues, excess (deficiency) of revenue over expenses and cash flows from operations for the years ended December 31, 2021 and 2020 current assets, deferred revenue, and deferred contributions as at December 31, 2021 and 2020, and fund balances as at January 1 and December 31 for both the 2021 and 2020 year ends. Our opinion on the financial statements as at and for the year ended December 31, 2021 was qualified 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 Durham Hospital Foundation Inc. 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 opinion.

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

Management is responsible for the preparation and fair presentation of the 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 Durham Hospital Foundation Inc.'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 Durham Hospital Foundation Inc. or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Durham Hospital Foundation Inc.'s 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 Durham Hospital Foundation Inc.'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 Durham Hospital Foundation Inc.'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 statement 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 Durham Hospital Foundation Inc. 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.

Owen Sound, Ontario
May 24, 2022

Chartered Professional Accountants
Licensed Public Accountants

DURHAM HOSPITAL FOUNDATION INC.

BALANCE SHEET

AS AT DECEMBER 31, 2021

	2021	2020
	\$	\$
<u>ASSETS</u>		
CURRENT		
Cash	110,086	35,660
Government receivable	7,623	7,598
Prepaid expense	7,034	1,230
Investments (Note 9)	425,625	165,319
	550,368	209,807
ENDOWMENT INVESTMENTS (Note 9)	405,440	388,566
CAPITAL (Note 4)	2,003,268	2,076,032
	2,959,076	2,674,405
<u>LIABILITIES</u>		
CURRENT		
Accounts payable and accrued charges	30,891	14,496
Deferred grant (Note 8)	94,000	94,000
	124,891	108,496
DEFERRED REVENUE (Note 5)	72,181	79,584
DEFERRED CAPITAL DONATIONS (Note 6)	124,157	129,330
DEFERRED CAPITAL GRANT (Note 7)	602,671	627,782
DEFERRED ENDOWMENT INCOME (Note 9)	46,840	29,966
	970,740	975,158
<u>NET ASSETS</u>		
UNRESTRICTED	66,437	(8,273)
INTERNALLY RESTRICTED (Note 11)	40,000	30,000
EXTERNALLY RESTRICTED (Note 12)	246,859	-
TOTAL OPERATING (Page 4)	353,296	21,727
INVESTED IN CAPITAL ASSETS (Page 4)	1,276,440	1,318,920
ENDOWED (Page 4)	358,600	358,600
	1,988,336	1,699,247
	2,959,076	2,674,405

Approved by the Board:

_____ Director

_____ Director

DURHAM HOSPITAL FOUNDATION INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2021

	Operating net assets \$	Invested in capital assets \$	Endowed net assets \$	Total 2021 \$	Total 2020 \$
BEGINNING BALANCE	21,727	1,318,920	358,600	1,699,248	1,755,750
Net Income (Loss)	331,569	(42,480)	-	289,089	(56,502)
Invested in endowed net assets	-	-	-	-	-
BALANCE, END OF YEAR	353,296	1,276,440	358,600	1,988,337	1,699,248

See the accompanying notes to these financial statements

DURHAM HOSPITAL FOUNDATION INC.
STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
REVENUE		
General donations	290,061	76,356
Fundraising	92,877	113,106
Investment	312	460
Grants	65,970	20,553
Municipal contribution	16,000	12,000
Miscellaneous	1,082	1,191
Covid 19 grants	-	1,375
	<u>466,302</u>	<u>225,041</u>
EXPENDITURES		
Fundraising	46,293	76,872
Insurance	2,635	2,360
Operating and administration	44,719	40,447
Professional fees	6,195	6,055
SBGHC Donation (Note 10)	107,885	194,803
	<u>207,727</u>	<u>320,537</u>
NET INCOME (LOSS) BEFORE NET PROPERTY MANAGEMENT INCOME	258,575	(95,496)
NET PROPERTY MANAGEMENT INCOME (Page 13)	30,514	38,994
NET EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>289,089</u>	<u>(56,502)</u>

See the accompanying notes to these financial statements

DURHAM HOSPITAL FOUNDATION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Net income (loss)	289,089	(56,502)
Transactions not requiring a current cash payment (receipt):		
Amortization	72,764	75,606
Deferred rental income - link	(7,403)	(7,423)
Amortization of deferred capital donations	(5,173)	(5,389)
Amortization of deferred capital grant	(25,111)	(26,158)
Change in deferred endowment income	16,872	7,847
Change in deferred grant income	-	94,000
Cash provided by operations	341,038	81,981
Change in non-cash working capital items		
(Increase) decrease in government receivable	(25)	26,372
(Increase) in prepaid expense	(5,804)	(107)
Increase (decrease) in accounts payable and accrued charges	16,395	(3,262)
CASH PROVIDED BY OPERATING ACTIVITIES	351,604	104,984
FINANCING ACTIVITIES		
Payment of long term debt	-	(11,694)
CASH USED BY FINANCING ACTIVITIES	-	(11,694)
INVESTING ACTIVITIES		
(Increase) in accrued short term interest	(305)	(456)
(Increase) in reinvested endowment investments	(16,873)	(7,847)
Net (purchase) of operating investments	(260,000)	(90,000)
Additions to capital assets	-	(9,062)
CASH USED BY INVESTING ACTIVITIES	(277,178)	(107,365)
NET INCREASE (DECREASE) IN CASH	74,426	(14,075)
CASH POSITION, beginning of year	35,660	49,735
CASH POSITION, end of year	110,086	35,660

See the accompanying notes to these financial statements

DURHAM HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

1. STATUS AND PURPOSE

The purpose of Durham Hospital Foundation Inc. (the Organization) is to raise funds for equipment and facilities for the Durham site of the South Bruce Grey Health Centre (SBGHC) through donations from generous individuals, businesses and estate gifts.

The Organization was incorporated in 1997 without share capital under the Corporations Act of Ontario. The Organization has received tax-exempt status as a registered charitable organization under the Canadian Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

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

(b) Financial Instruments

The Organization's financial instruments consist of cash, the government receivable, investments, accounts payable and accrued charges, and long-term debt.

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with unrestricted, unrealized gains and losses reported in operations. Unrealized gains and losses on restricted funds are allocated to deferred endowment income. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date.

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.

(c) Capital Assets

Capital assets are recorded at cost. Amortization is recorded using the declining balance and straight line methods over the expected useful life of the asset. The rates are as follows:

Buildings	4% declining balance
Equipment	20% straight line

(d) Deferred Capital Donations and Grant

These balances represent deferred donations and a government grant restricted for purposes related to the building. They are amortized into income over the estimated useful life of the building.

DURHAM HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

(e) Revenue Recognition

The deferral method of accounting for contributions is used. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases to net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Accordingly, it can be deferred. Where investment income is restricted for the purchase of capital assets, it is recognized as revenue in accordance with the amortization policy of the related assets.

Unrestricted investment income is recognized as revenue when earned.

Property management revenue is recognized as earned.

(f) Donated Property, Goods and Services

Donated materials and services are recorded when a fair value can be reasonably estimated and they would otherwise be purchased if not donated.

Volunteers contribute an undeterminable number of hours to assist the Organization in carrying out its charitable and fundraising activities. Contributed services are not recognized in the financial statements because of the difficulty determining their fair market value.

(g) 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 amounts reported in the financial statements and accompanying notes. Estimates are used when accounting for items and matters such as the value of donated goods, amortization, and revenue recognition of the deferred capital donations and grant. Actual results may differ from best estimates as additional information becomes available in the future and adjustments, if any, are recorded as that information becomes known.

(h) Net Assets Invested in Endowed Assets

Net assets invested in endowed assets comprise amounts internally restricted by the Board of Directors as well as contributions that are to be held in perpetuity.

(i) Net Assets Invested in Capital Assets

Net assets invested in capital assets comprise the net book value of capital assets less related debt and the unamortized balances of the deferred capital grant and donations.

(j) Allocation of Expense

Based on time spent the executive director's salary is attributed 25% to property management, 40% to fundraising and the balance of 35% to operating and administration.

DURHAM HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

3. FINANCIAL INSTRUMENT RISK

Financial instruments expose the Organization to certain financial risks and uncertainties. These include:

(a) 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. Credit risk arises from the government receivable and is considered to be minimal. There has been little change to the Organization's credit risk exposure from the prior year.

(b) Liquidity Risk

Liquidity risk is the risk that the Organization encounters difficulty meeting its obligations associated with financial liabilities. Liquidity risk arises from the accounts payable and accrued charges. Liquidity risk is slightly higher than in the previous year. The Organization controls liquidity risk by the management of working capital.

(c) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows related to a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to interest rate risk when the Organization invests in interest-bearing investments.

(d) Market Risk

Market risk is the risk that the value of the investments will fluctuate as a result of changes in market price. The Organization is exposed to market risk on its investments in equities and pooled investments. The investments of the Organization are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

4. CAPITAL ASSETS

Capital assets are classified as follows:

	2021		2020	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 256,931	\$ -	\$ 256,931	\$ -
Buildings	2,938,267	1,191,930	2,938,267	1,119,166
Equipment	30,566	30,566	30,566	30,566
	<u>\$ 3,225,764</u>	<u>\$ 1,222,496</u>	<u>\$ 3,225,764</u>	<u>\$ 1,149,732</u>
Net book value		<u>\$ 2,003,268</u>		<u>\$ 2,076,032</u>

Amortization for the 2021 year amounted to \$72,764 (2020: 75,606).

DURHAM HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

5. DEFERRED REVENUE

The South Bruce Grey Health Centre (SBGHC) paid a lump sum in July 2011 for the rental of the building link for 20 years and 91 days. This revenue is recognized evenly over the period of the rental agreement. The changes in the deferred revenue balance for the period are as follows:

	2021	2020
Beginning balance	\$ 79,583	\$ 87,006
Less: amounts recognized in revenue	(7,402)	(7,423)
Ending balance	72,181	79,583

6. DEFERRED CAPITAL DONATIONS

In 2002 and 2003 donations were received from various community members restricted for the repayment of debt incurred when the clinic was built in 1999. This revenue is deferred and amortized into revenue since it is restricted for the same purpose as the debt financing was used. Accordingly, the capital donations are amortized at a 4% rate based on a declining balance similar to the estimated useful life of the building.

The changes in the deferred capital donations for the period are as follows:

	2021	2020
Beginning balance	\$ 129,329	\$ 134,718
Less: amounts recognized in revenue	(5,173)	(5,389)
Ending balance	\$ 124,156	\$ 129,329

7. DEFERRED CAPITAL GRANT

The deferred grant represents a restricted contribution from the Federal government used to assist with the building addition to the clinic in 2011. This revenue is recognized at a 4% rate based on a declining balance basis in accordance with the estimated useful life of the building.

The changes in the deferred capital contribution balance for the period are as follows:

	2021	2020
Beginning balance	\$ 627,782	\$ 653,939
Less: amounts recognized in revenue	(25,111)	(26,158)
Ending balance	602,671	627,781

DURHAM HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

8. DEFERRED GRANTS

During 2020 Canadian Medical Association Foundation Community Hospital Fund issued a grant in the amount of \$94,000 for emergency room entrance renovations.

Opening balance	\$ 94,000
Advances	-
Expenditures	-
Closing balance	<u>\$ 94,000</u>

9. INVESTMENTS

Investments are comprised as follows:

	<u>2021</u>	<u>2020</u>
Operating Investments		
Internally restricted (Note 11)	\$ 40,000	\$ 30,000
Externally restricted (Note 12)	246,859	-
Unrestricted	138,766	135,319
	<u>425,625</u>	<u>165,319</u>
Endowment Investments		
Cash	13,855	7,832
Fixed income	-	20,270
Equities	391,585	360,464
	<u>\$ 405,440</u>	<u>\$ 388,566</u>

Investments are held for safekeeping at either authorized depositories or are managed by a registered investment firm. Investments are made in accordance with the investment policy as approved by the Board. The primary objective in investing the assets of the Organization is income generation through fixed income and dividends with the resulting income earned to be used only for the purposes consistent with the mission of the Durham Hospital Foundation Inc.

Endowed net assets of \$358,600 at December 31, 2021 (2019 \$358,600) are to be held in perpetuity. Income on the endowed investments is restricted for a purpose yet to be determined. Deferred endowment income on the the endowed investments to date is as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	\$ 29,965	\$ 22,119
Realized revenue	9,855	7,357
Unrealized revenue	13,023	6,252
Management fees	(6,003)	(5,763)
Closing balance	<u>\$ 46,840</u>	<u>\$ 29,965</u>

DURHAM HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

10. SOUTH BRUCE GREY HEALTH CENTRE (SBGHC) OBLIGATIONS

In accordance with the objects of the Foundation commitments are made to support projects at the Durham site. A summary of the projects funded in the current year and pledged currently is as follows:

	Maximum Pledge	Paid during the year	Cumulative Payments	Balance Committed at Year End
EMS entrance	\$ 156,300	\$ -	\$ -	\$ 156,300
Spirometry machine	60,000	41,785	41,785	-
Telephone upgrade	45,000	-	-	45,000
Future year projects 2022	115,000	-	-	115,000
Staff education subsidy	1,000	979	979	-
Ultrasound machine	220,000	65,121	175,121	-
	<u>\$ 597,300</u>	<u>\$ 107,885</u>	<u>\$ 217,885</u>	<u>\$ 316,300</u>

11. INTERNALLY RESTRICTED NET ASSETS

Amount represents funds internally restricted to be maintained as fiscally prudent operating reserve to provide funds for continuity of operations and operational contingencies.

\$40,000 (2020 \$30,000) of the Operating Investment balance is to be held in reserve for future major building repair expenditures.

12. EXTERNALLY RESTRICTED NET ASSETS

During the 2021 year a donation of \$250,000 was received with direction for the funds to be used for tenant recruitment.

At the December 31, 2021 year end \$3,141 of this amount was used for tenant recruitment. The remaining balance of \$246,859 is included in the Operating Investment balance and is to be held in reserve for future tenant recruitment expenditures.

13. SUPPLEMENTARY AUDIT REPORT INFORMATION

Our qualification concerning the completeness of charitable donations and fundraising is a standard requirement that arises from the inherent nature of cash receipts. There is no testing that an auditor can carry out to ensure all cash receipts have been recorded because of the innate nature of cash allows for its misappropriation.

This qualification is a standard one for all charities who collect significant amounts in donations and fundraising and is not specific to this organization. Our qualification in no way suggests that anything improper has occurred. It simply reflects that fact that there is no way of testing to confirm that all cash receipts have been reported. Please note we did not find any discrepancies in the testing that we did perform.

DURHAM HOSPITAL FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2021

DURHAM HOSPITAL FOUNDATION INC.

STATEMENT OF PROPERTY MANAGEMENT

FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
RENTAL REVENUE		
BAFHT	44,625	44,625
Boardroom	15,000	15,000
Doctors	95,200	99,648
Locum	20,340	13,500
Other	12,085	10,401
Parking lot area	10,000	10,000
	<u>197,250</u>	<u>193,174</u>
EXPENDITURES		
Locum apartment	13,649	13,985
Maintenance	58,964	62,288
Loan interest	-	24
SBGHC - Lease link/parking	240	240
Tenant recruitment	14,605	822
Utilities	24,027	20,464
Wages - property management	20,174	19,721
	<u>131,659</u>	<u>117,544</u>
INCOME BEFORE CAPITAL ACTIVITY	<u>65,591</u>	<u>75,630</u>
CAPITAL ACTIVITY		
Amortization (Notes 2(c) and 4)	(72,764)	(75,606)
Amortization of capital grant	25,111	26,158
Amortization of capital donations	5,173	5,389
Deferred rental income	7,403	7,423
	<u>(35,077)</u>	<u>(36,636)</u>
INCOME	<u>30,514</u>	<u>38,994</u>