

**Hanover and District Hospital**  
**Financial Statements**  
For the year ended March 31, 2024

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Tel: 519 364 3790  
Fax: 519 364 5334  
www.bdo.ca

BDO Canada LLP  
485 10th Street  
Hanover ON N4N 1R2  
Canada

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## Independent Auditor's Report

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**To the Members Hanover and District Hospital**

### **Opinion**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its results of operations, its remeasurement gains and losses, its change in net assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### **Basis for Opinion**

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 Entity 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 these financial statements in accordance with Canadian public sector accounting standards, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity'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 Entity'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 Entity'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 Entity 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

Hanover, Ontario

May 24, 2024

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## Hanover and District Hospital Statement of Financial Position

March 31 2024 2023

### Assets

#### Current

Cash (Note 2)	\$ 2,511,385	\$ 1,354,319
Due from Ontario Ministry of Health	192,567	517,441
Accounts receivable	452,551	546,654
Inventory	97,837	133,052
Prepaid expenses	499,503	410,241
	3,753,843	2,961,707
Investments held for capital purposes (Note 3)	6,718,629	6,197,507
Capital assets (Note 4)	11,634,294	12,540,053
	\$22,106,766	\$ 21,699,267

### Liabilities and Net Assets

#### Current

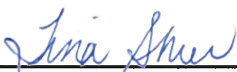
Accounts payable and accrued liabilities	\$ 4,103,332	\$ 3,573,621
Retirement benefit liability (Note 6)	462,800	460,800
Asset retirement obligation (Note 7)	389,976	557,499
Deferred capital contributions (Note 8)	5,421,428	5,714,843
	10,377,536	10,306,763

#### Contingencies (Note 12)

#### Net Assets

Invested in capital assets (Note 9)	6,212,866	6,825,210
Unrestricted	4,845,100	4,228,643
	11,057,966	11,053,853
Accumulated remeasurement gains (losses)	671,264	338,651
	11,729,230	11,392,504
	\$22,106,766	\$ 21,699,267

On behalf of the Board:

  
\_\_\_\_\_

Chair

  
\_\_\_\_\_

Vice Chair

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

## Hanover and District Hospital Statement of Changes in Net Assets

<u>For the year ended March 31</u>	<u>2024</u>		<u>2023</u>	
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	\$ 6,825,210	\$ 4,228,643	\$11,053,853	\$ 11,708,892
Excess of revenue over (under) expenses for the year	(803,265)	807,378	4,113	(655,039)
Investment in capital assets, net	190,921	(190,921)	-	-
<b>Balance, end of year</b>	<b>\$ 6,212,866</b>	<b>\$ 4,845,100</b>	<b>\$11,057,966</b>	<b>\$ 11,053,853</b>

## Hanover and District Hospital Statement of Remeasurement Gains and Losses

<u>For the year ended March 31</u>	<u>2024</u>		<u>2023</u>	
Accumulated remeasurement gains, beginning of year	\$ 338,651	\$ 403,385		
Unrealized gains (losses) attributable to investments for the year	360,622	(157,737)		
Realized (gains) losses reclassified to statement of operations	(28,009)	93,003		
Net remeasurement gains (losses) for the year	332,613	(64,734)		
<b>Accumulated remeasurement gains (losses), end of year</b>	<b>\$ 671,264</b>	<b>\$ 338,651</b>		

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

## Hanover and District Hospital Statement of Operations

For the year ended March 31	2024	2023
<b>Revenue</b>		
Ministry of Health (Page 7)	\$22,251,710	\$ 19,796,445
Other (Page 7)	3,761,152	3,397,009
	<b>26,012,862</b>	<b>23,193,454</b>
<b>Expenses</b>		
Salaries and wages	11,172,713	10,070,401
Medical staff remuneration	3,786,858	3,450,058
Employee benefits	3,212,862	2,848,397
Supplies and other expenses	5,318,773	5,024,235
Medical and surgical supplies	666,233	737,302
Drug expense	429,133	349,532
Bad debts	27,118	23,601
Amortization of equipment	1,089,535	1,010,767
Interest on capital lease	7,305	9,574
Other votes - taxes	7,500	7,500
	<b>25,718,030</b>	<b>23,531,367</b>
<b>Excess of revenue over expenses before other revenue and expenses</b>	<b>294,832</b>	<b>(337,913)</b>
Amortization of deferred contributions for land improvements and building	125,995	97,332
Amortization of land improvements and building	(416,714)	(414,458)
	<b>(290,719)</b>	<b>(317,126)</b>
<b>Excess (deficiency) of revenue over expenses for the year</b>	<b>\$ 4,113</b>	<b>\$ (655,039)</b>

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

## Hanover and District Hospital Schedule of Operating Revenue

For the year ended March 31	2024	2023
<b>Ministry of Health Revenue</b>		
Ministry allocation	\$16,518,972	\$ 15,847,848
Special purpose funding	3,508,520	378,953
Municipal tax funding	7,500	7,500
Alternate payment plan	1,470,438	1,510,381
Hospital On Call Coverage (HOCC)	746,280	533,456
COVID-19 funding	-	1,518,307
	<u>\$22,251,710</u>	<u>\$ 19,796,445</u>
<b>Other Revenue</b>		
Income from patient activities	\$ 2,009,823	\$ 1,868,626
Accommodation charges	275,160	223,645
Donations	10,000	40,000
Amortization of deferred contributions for equipment	576,989	540,233
Marketed services	537,832	470,944
Investment income	283,516	149,547
Gain (loss) on disposal of capital assets	-	(5,015)
Other	67,832	109,029
	<u>\$ 3,761,152</u>	<u>\$ 3,397,009</u>

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

## Hanover and District Hospital Statement of Cash Flows

For the year ended March 31	2024	2023
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenue over (under) expenses for the year	\$ 4,113	\$ (655,039)
Items not involving cash		
Amortization of capital assets	1,506,249	1,425,225
Change in employee future benefits liability	2,000	9,100
Change in asset retirement obligation	19,512	-
Realized gain (loss) on disposal of investments	(28,009)	93,003
Amortization of deferred contributions	(702,984)	(637,565)
Loss on disposal of capital assets	-	5,015
	800,881	239,739
Changes in non-cash working capital balances (Note 11)	894,641	239,042
	1,695,522	478,781
<b>Capital activities</b>		
Acquisition of capital assets	(600,490)	(1,839,402)
Grants and donations for capital assets	409,569	836,537
Settlement of asset retirement obligation	(187,035)	-
	(377,956)	(1,002,865)
<b>Investing activities</b>		
Proceeds on disposal of investments	859,278	2,649,713
Acquisition of investments	(1,019,778)	(2,793,978)
	(160,500)	(144,265)
<b>Net increase (decrease) in cash during the year</b>	1,157,066	(668,349)
<b>Cash, beginning of year</b>	1,354,319	2,022,668
<b>Cash, end of year</b>	\$ 2,511,385	\$ 1,354,319

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



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# Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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## 1. Significant Accounting Policies

### **Nature and Purpose of Organization**

Hanover and District Hospital is a non-profit organization incorporated without share capital under the Corporations Act of Ontario. The hospital is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income tax and may issue income tax receipts to donors.

The hospital is principally involved in providing health care services to the Hanover area. It is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health.

### **Basis of Presentation**

The financial statements of Hanover and District Hospital are the representations of management. They have been prepared in accordance with Canadian public sector accounting standards for government not-for-profit organizations, including the 4200 series of standards, as issued by the Public Sector Accounting Board ("PSAB for Government NPOs").

The financial statements do not include the assets, liabilities and activities of related volunteer organizations which are not operated by the hospital, including the Hanover and District Hospital Foundation and the Hanover and District Hospital Auxiliary.

### **Management Estimates**

The preparation of financial statements in accordance with PSAB for government NPOs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future. Use of estimates primarily relates to amortization of capital assets, estimation of asset retirement obligation and actuarial estimation of the retirement benefits liability.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 1. Significant Accounting Policies (continued)

#### Financial Instruments

Cash and equity instruments quoted in an active market are measured at fair value. Accounts receivable, accounts payable, and long-term debt are measured at cost or amortized cost. The carrying amount of each of these financial instruments is presented on the statement of financial position.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

When investment income and realized and unrealized gains and losses from changes in the fair value of financial instruments are externally restricted, the investment income and fair value changes are recognized as revenue in the period in which the resources are used for the purpose specified.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

Transaction costs are added to the carrying value for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 1. Significant Accounting Policies (continued)

#### Revenue Recognition

The Hospital follows the deferral method of accounting for contributions, which include donations and government transfers.

Under the Health Insurance Act and Regulations thereto, the hospital is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ontario Ministry of Health. The hospital has entered into a Hospital Service Accountability Agreement (the H-SAA) for fiscal 2024 with the Ministry that sets out the rights and obligations of the parties to the H-SAA in respect of funding provided to the hospital by the Ministry. The H-SAA also sets out the performance standards and obligations of the hospital that establish acceptable results for the hospital's performance in a number of areas.

If the hospital does not meet its performance standards or obligations, the Ministry has the right to adjust funding received by the hospital. The Ministry is not required to communicate certain funding adjustments until after the submission of year end data. Since this data is not submitted until after the completion of the financial statements, the amount of the Ministry funding received by the hospital during the year may be increased or decreased subsequent to the year end.

Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Restricted contributions received by the hospital for the acquisition of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired assets.

Other revenue is recognized as the services are rendered or the goods are delivered, providing the amount is fixed or determinable and collectability is reasonably assured.

#### Contributed Services

Volunteers contribute approximately 3,975 hours (2023 - 1,461 hours) to assist the hospital in carrying out its service delivery activities. The fair value of these contributed services is not readily determinable and, as such, is not recognized in the financial statements.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and bank balances. All investments held for capital purposes are treated as investing activities.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 1. Significant Accounting Policies (continued)

**Inventories** Inventories are valued at the lower of cost and net realizable value. Inventory items are valued on a first-in, first-out basis. Inventory consists of medical and general supplies that are used in the Hospital's operations.

**Capital Assets** Purchased capital assets are carried at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight line basis over the assets' estimated useful lives, which is 80 years for buildings and 5-15 years for equipment.

**Retirement Benefits** The hospital provides post-employment health, dental and life insurance benefits to eligible retired employees. The accrued benefit obligation for these benefits is actuarially determined using the projected benefit method prorated on service, and incorporates management's best estimate of salary escalation, retirement ages of employees, and expected benefit costs.

Adjustment to these costs arising from changes in estimates and experience gains and losses are amortized to income over the estimated average remaining service life of the employee groups on a straight line basis. Past service costs arising from plan amendments are charged to income in the year of the plan amendment.

Defined contribution plan accounting is applied to the hospital's multi-employer defined benefit pension plan. Contributions for current and past service costs are expensed in the year in which they become due.

### **Foreign Currency**

**Translations** Foreign currency transactions are translated at the exchange rate prevailing at the date of the transactions.

Monetary assets and liabilities, and non-monetary items included in the fair value measurement category denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 1. Significant Accounting Policies (continued)

#### Asset Retirement

##### Obligations

A liability for an asset retirement obligation is recognized when there is a legal obligation to incur retirement costs in relation to a tangible capital asset; the past transaction or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made. The liability is recorded at an amount that is the best estimate of the expenditure required to retire a tangible capital asset at the financial statement date. This liability is subsequently reviewed at each financial reporting date and adjusted for the passage of time and for any revisions to the timing, amount required to settle the obligation or the discount rate. Upon the initial measurement of an asset retirement obligation, a corresponding asset retirement cost is added to the carrying value of the related tangible capital asset if it is still in productive use. This cost is amortized over the useful life of the tangible capital asset. If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

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### 2. Cash

Cash includes bank deposits that are held at one chartered bank. The accounts earn interest at a rate of bank prime less 2% on balances up to \$3,000,000 and bank prime less 1.75% on balances over \$3,000,000, payable monthly.

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## Hanover and District Hospital Notes to Financial Statements

**March 31, 2024**

### 3. Investments Held for Capital Purposes

	2024	2023
Mutual funds and equities	\$ 5,022,257	\$ 4,623,897
Foreign currency mutual funds and equities	1,696,372	1,573,610
	<b>\$ 6,718,629</b>	<b>\$ 6,197,507</b>

Investments have a cost of \$6,047,104 (2023 - \$5,850,490).

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities using the last bid price;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All investments held by Hanover and District Hospital are level 1.

### 4. Capital Assets

	2024		2023	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 278,748	\$ -	\$ 278,748	\$ -
Land improvements	880,779	880,779	880,779	872,671
Building and building service equipment	15,141,787	7,980,232	14,897,031	7,571,626
Equipment	13,789,300	9,595,309	13,592,284	8,664,492
	<b>\$30,090,614</b>	<b>\$18,456,320</b>	<b>\$ 29,648,842</b>	<b>\$ 17,108,789</b>
Net book value		<b>\$11,634,294</b>		<b>\$ 12,540,053</b>

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 5. Bank Borrowings

The hospital has a line of credit available to a maximum of \$2,000,000 to address operating requirements. At March 31, 2024, the line of credit has a \$0 balance.

The bank line of credit is due on demand, bears interest at the prime rate monthly and has no security.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 6. Post-Employment Benefits

#### Pension Plan

Substantially all of the employees of the hospital are eligible to be members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. The contributions made to the plan during the year totaled \$941,523 (2023 - \$822,666) by the hospital, and \$747,241 (2023 - \$652,910) by the employees. The hospital's contributions are included in employee benefits on the statement of operations. At December 31, 2023, the pension plan reported a surplus of \$10.2 billion (2022 - \$11.0 billion).

#### Retirement Benefits

The hospital provides post-employment health care, dental and life insurance benefits to eligible retired employees. The hospital's accrued benefit obligation and liability at March 31 is determined as follows:

	<u>2024</u>	<u>2023</u>
Accrued benefit obligation	\$ 550,500	\$ 549,800
Unamortized actuarial gains (losses)	<u>(87,700)</u>	<u>(89,000)</u>
Liability	<u>\$ 462,800</u>	<u>\$ 460,800</u>

The most recent actuarial valuation was prepared as at March 31, 2023. The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, and employee turnover and mortality. The assumptions used reflect the hospital's best estimates. In measuring the hospital's accrued benefit obligation, a discount rate of 4.50% was assumed to determine the accrued benefit obligation and a discount rate of 4.70% was assumed to determine the benefit cost was assumed for 2024. For extended health care costs, a 5.60% annual rate of increase was assumed for 2024. For dental costs a 5.00% annual rate of increase was assumed. Actual results could differ from this estimate as additional information becomes available in the future.



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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 6. Post-Employment Benefits (continued)

The total expense related to post-employment benefits other than pensions includes the following components:

	2024	2023
Prior year service cost	\$ 6,700	\$ -
Current year benefit cost	18,700	31,900
Interest on accrued benefit obligation	24,800	13,200
Amortization of actuarial losses (gains)	400	(10,300)
Total expense for the year	50,600	34,800
Benefit payments	(48,600)	(25,700)
Change in liability for the year	\$ 2,000	\$ 9,100

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### 7. Asset Retirement Obligation

The hospital's financial statements include an asset retirement obligation for the building that the hospital operates out of. The related asset retirement costs are being amortized on a straight line basis. The liability has been estimated using an undiscounted cash flow method.

The carrying amount of the liability is as follows:

	2024	2023
Asset retirement obligation, beginning of year	\$ 557,499	\$ 557,499
(Decrease) due to liability settled during the current year	(187,035)	-
Increase / (decrease) due to revisions in estimated cash flows	19,512	-
Asset retirement obligation, end of year	\$ 389,976	\$ 557,499

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## Hanover and District Hospital Notes to Financial Statements

**March 31, 2024**

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### 8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent restricted contributions with which hospital capital assets have been purchased. The change in the deferred contributions balance for the year is as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 5,714,843	\$ 5,515,871
Contributions received	409,569	836,537
Amortization recognized as revenue during the year	<u>(702,984)</u>	<u>(637,565)</u>
Balance, end of year	<u>\$ 5,421,428</u>	<u>\$ 5,714,843</u>

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### 9. Net Assets Invested in Capital Assets

Net assets invested in capital assets is made up as follows:

	<u>2024</u>	<u>2023</u>
Capital assets	\$11,634,294	\$ 12,540,053
Less amounts financed by Deferred contributions	<u>(5,421,428)</u>	<u>(5,714,843)</u>
Balance, end of year	<u>\$ 6,212,866</u>	<u>\$ 6,825,210</u>

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 10. Related Party Transactions

#### Hanover and District Hospital Foundation

Hanover and District Hospital exercises significant influence over Hanover and District Hospital Foundation by virtue of its ability to appoint some of the Foundation's board of directors. The Foundation was established to raise funds for the use of the hospital, is incorporated without share capital under the laws of the Province of Ontario, and is a registered charity under the Income Tax Act.

#### Hanover and District Hospital Auxiliary

The Hanover and District Hospital Auxiliary is a volunteer organization affiliated with the Hanover and District Hospital and is engaged in a wide range of services for the betterment of the hospital. The organization periodically transfers funds to the hospital.

The following contributions and recoveries were received or receivable during the year:

	<u>2024</u>	<u>2023</u>
Hanover and District Hospital Foundation	\$ 195,392	\$ 324,822

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 11. Statement of Cash Flows

The change in non-cash working capital balances is made up as follows:

	<u>2024</u>	<u>2023</u>
Decrease (increase) in accounts receivable	\$ 418,977	\$ 67,574
Decrease (increase) in inventory	35,215	(12,225)
Decrease (increase) in prepaid expenses	(89,262)	(839)
Increase (decrease) in accounts payable	<u>529,711</u>	<u>184,532</u>
	<u>\$ 894,641</u>	<u>\$ 239,042</u>

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### 12. Contingent Liabilities

Hanover and District Hospital participates in the Healthcare Insurance Reciprocal of Canada (HIROC), a reciprocal insurance company licensed under the Insurance Act, (Ontario), and a pooling of the public liability insurance risks of its hospital members. Members of the pool pay annual premiums, which are actuarially determined. Members are subject to assessment for losses, if any, experienced by the pool for the year in which they were members. No assessments have been made to March 31, 2024 with respect to claims.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 13. Financial Instrument Risk Management

The hospital's financial instruments consist of cash, accounts receivable, investments held for capital purposes, and accounts payable. The hospital's financial instruments are exposed to certain financial risks, including credit risk, interest rate risk, liquidity risk, currency risk and other price risk. Unless otherwise noted, it is management's opinion that the hospital is not exposed to significant interest, or credit risks arising from these financial instruments.

#### *General objectives, policies, and processes*

The Board of Directors has overall responsibility for the determination of the organization's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the organization's management. The Board of Directors receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Ministry of Health is responsible for the funding and organization of health care services. Hanover and District Hospital has negotiated a Hospital Service Accountability Agreement for the 2024 fiscal year with the Ministry of Health. This agreement requires the submission of budgets and sets out performance standards, including maintaining a current ratio between 0.8 and 2.0.

#### *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: interest rate risk, currency risk, and equity risk. The hospital's investment policy limits equity instruments to 30% of the fair value of the total investment portfolio. At March 31, 2024, a 10% movement in stock markets with all other variables held constant, could impact the market value of the equity instruments held by \$288,181 (2023 - \$255,005).

#### *Interest rate risk*

Interest rate risk is the risk of financial loss caused by fluctuations in fair value or future cash flows of financial instruments due to changes in market interest rates.

The hospital is exposed to interest rate risk through its interest-bearing investments. The organization's objective is to minimize interest rate risk by locking in fixed rates on its investments when possible and holding the investments until maturity.

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## Hanover and District Hospital Notes to Financial Statements

March 31, 2024

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### 13. Financial Instrument Risk Management (continued)

#### *Credit risk*

Credit risk is the risk of financial loss caused by a debtor failing to make payments of interest and principal when due. The hospital is exposed to credit risk through its cash and investment certificates in its investment portfolio, and accounts receivable.

The hospital holds its cash accounts at a federally regulated chartered bank and is insured under the Canadian Deposit Insurance Corporation up to \$100,000.

Accounts receivable are primarily due from the Ministry of Health and OHIP. Credit risk is mitigated by the financial solvency of the provincial government. At March 31, 2024, there are no significant accounts receivable that are past due.

The hospital's investments include investment certificates, government debt securities and equities.

The hospital's maximum exposure to credit risk is the carrying value of the financial assets.

#### *Liquidity risk*

Liquidity risk is the risk that the hospital will not be able to meet its financial obligations as they fall due. The hospital has a planning and budgeting process in place to help determine the funds required to support the hospital's normal operating requirements on an ongoing basis. The hospital ensures that there are sufficient funds to meet its short-term requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

At March 31, 2024, the hospital's accounts payable are due on demand.

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The hospital is exposed to currency risk through its investments held for capital purposes. The hospital manages its currency risk through regular portfolio reviews.

The hospital has \$1,696,372 (2023 - \$1,573,610) of foreign denominated investments for which the hospital does not use derivatives to mitigate the foreign exchange risk.

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