

Financial Statements of

**CHATHAM-KENT HEALTH ALLIANCE
FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2021

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

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Year ended March 31, 2021

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Directors and Members of the Chatham-Kent Health Alliance Foundation

Opinion

We have audited the financial statements of the Chatham-Kent Health Alliance Foundation (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2021, and its results of operations, its changes in fund balances and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' 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 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 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.

Auditors' 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 auditors' 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 the 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 auditors' 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 auditors' 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 22, 2021

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Financial Position

March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---------------------------------|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash (note 2) | \$ 1,224,490 | \$ 660,923 |
| Short-term investments (note 3) | 456,867 | 220,000 |
| Accounts receivable | 61,273 | 34,962 |
| Prepaid expenses | 37,613 | 37,805 |
| | <u>1,780,242</u> | <u>953,690</u> |
| Investments (note 3) | 5,476,852 | 4,716,337 |
| Other | 2,852 | 600 |
| | <u>\$ 7,259,946</u> | <u>\$ 5,670,627</u> |

Liabilities and Fund Balances

| | | |
|---|---------------------|---------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities (note 4) | \$ 146,332 | \$ 109,897 |
| Deferred revenue | 41,525 | 40,375 |
| | <u>187,857</u> | <u>150,272</u> |
| Fund balances: | | |
| Unrestricted | 3,616,403 | 2,357,249 |
| Restricted (note 5) | 3,455,686 | 3,163,106 |
| | <u>7,072,089</u> | <u>5,520,355</u> |
| | <u>\$ 7,259,946</u> | <u>\$ 5,670,627</u> |

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Operations

March 31, 2021, with comparative information for 2020

| | Restricted | Unrestricted | 2021 Total | 2020 Total |
|--|--------------|--------------|---------------|---------------|
| Revenue: | | | | |
| Donations | \$ 906,620 | \$ 843,363 | \$ 1,749,983 | \$ 728,285 |
| Special Events | 167,015 | 257 | 167,272 | 429,062 |
| Lotteries | 340,740 | 93,122 | 433,862 | 384,200 |
| Canada Emergency Wage Subsidy (note 7) | - | 109,828 | 109,828 | - |
| | 1,414,375 | 1,046,570 | 2,460,945 | 1,541,546 |
| Investment income (loss) (note 6) | - | 992,928 | 992,928 | (286,801) |
| Expenses: | | | | |
| Salaries and benefits | - | 550,557 | 550,557 | 550,008 |
| Administration fees | - | 146,756 | 146,756 | 163,195 |
| Special events | 20,333 | - | 20,333 | 129,118 |
| Lottery costs | 203,531 | 48,223 | 251,754 | 227,695 |
| Fundraising costs | 17,157 | 22,727 | 39,884 | 36,397 |
| | 241,021 | 768,263 | 1,009,284 | 1,106,413 |
| Excess (deficiency) of revenue over expenses before disbursements for charitable activity | 1,173,354 | 1,271,235 | 2,444,589 | 148,332 |
| Disbursements to CKHA | 856,822 | 36,033 | 892,855 | 421,555 |
| Change in fund balance | 316,532 | 1,235,202 | 1,551,734 | (273,223) |
| Fund balances, beginning of year | 3,163,106 | 2,357,249 | 5,520,355 | 5,793,578 |
| Interfund Transfers | (23,952) | 23,952 | - | - |
| Fund balances, end of year | \$ 3,455,686 | \$ 3,616,403 | \$ 7,072,089 | \$ 5,520,355 |

See accompanying notes to financial statements.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Cash Flows

March 31, 2021, with comparative information for 2020

| | 2021 | 2020 |
|---|---------------------|-------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Excess (deficiency) of revenue over expenses | \$ 1,551,734 | \$ (273,223) |
| Item not involving cash: | | |
| Condo Timeshare | 600 | - |
| CSV Life Insurance Policy | (2,852) | - |
| Changes in non-cash working capital balances: | | |
| Accounts receivable | (26,311) | 2,696 |
| Prepaid expenses | 193 | (4,166) |
| Accounts payable and accrued liabilities | 36,435 | (84,201) |
| Deferred revenue | 1,150 | 30,875 |
| | <u>1,560,949</u> | <u>(328,019)</u> |
| Investing activities: | | |
| Net change in investments | <u>(997,382)</u> | <u>608,826</u> |
| Increase in cash | 563,567 | 280,807 |
| Cash, beginning of year | 660,923 | 380,116 |
| Cash, end of year | <u>\$ 1,224,490</u> | <u>\$ 660,923</u> |

See accompanying notes to financial statements.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2020

Chatham-Kent Health Alliance Foundation (the "Foundation") is incorporated without share capital under the laws of Ontario. The Foundation was established to receive and maintain funds and other property to enhance patient care for the Chatham-Kent Health Alliance ("CKHA"). The Foundation is a registered charity under the Income Tax Act and, accordingly, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

Effective April 1, 2019, the Foundation of Chatham-Kent Health Alliance, Public General Hospital Foundation and Sydenham District Hospital Foundation amalgamated to create the Chatham-Kent Health Alliance Foundation. These financial statements are presented using the continuity of interest method which shows financial results as if the Foundations had amalgamated on April 1, 2018.

1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Standards in Part III of the CPA Canada Handbook – Accounting.

(a) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions, which consist of donations and bequests. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they were provided.

The restricted fund consists of donations externally restricted in their use by donors. Funds are disbursed from this fund in accordance with the donor's stipulations. Also included in the restricted fund are funds internally restricted by the Foundation.

The unrestricted fund reports the day to day operations of the Foundation and unrestricted donations and other revenue. This fund also includes the cumulative effect of all unrealized gains and losses on unrestricted investments recorded at fair value.

(b) Revenue recognition:

Donations are recognized as revenue in the year received.

Fundraising revenue is recognized in the period when the event takes place.

Investment income includes dividend and interest income, realized and unrealized investment gains and losses, which are accounted for on an accrual basis.

Investment income earned on both unrestricted and restricted funds is reported in the unrestricted fund unless there are restrictions imposed by contributors of restricted funds.

(c) Contributed services and materials:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements. Donated materials which are used in the normal course of the Foundation's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of investments. Actual results could differ from those estimates.

(f) Administration fees:

The Foundation records the expenses of day-to-day operations in the unrestricted fund. These operating expenses are allocated to the restricted fund by charging an administration fee equal to 20% of all restricted donations received in the year, with an offsetting amount recorded as administrative fees revenue in the unrestricted fund.

2. Cash:

The Foundation's bank accounts are maintained at two Canadian chartered banks. Cash maintained by an investment broker amounts to \$74,489 (2020 – \$130,770).

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

3. Investments:

| | 2021 | 2020 |
|---|--------------|--------------|
| Guaranteed investment certificates, measured at amortized cost | \$ 1,898,597 | \$ 2,121,345 |
| Provincial bonds and debentures, measured at amortized cost | 38,611 | – |
| Common and preferred shares, measured at fair value | 3,996,511 | 2,814,992 |
| | 5,933,719 | 4,936,337 |
| Less: short-term investments | 456,867 | 220,000 |
| | \$ 5,476,852 | \$ 4,716,337 |

The guaranteed investment certificates have an effective interest rate of 1.95% to 3.16% (2020 – 1.95% to 3.16%) and mature between 2021 and 2025.

The bonds outstanding have fixed rates of 4% and mature in 2031.

Investments in common and preferred shares consist of shares in public companies and have cost of \$3,220,107 (2020 - \$2,801,771).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$98 for HST (2020 - \$436).

5. Restricted fund:

The restricted fund consists of the following amounts:

| | 2021 | 2020 |
|-----------------------|--------------|--------------|
| Externally restricted | \$ 2,643,617 | \$ 2,467,345 |
| Internally restricted | 812,069 | 695,761 |
| | \$ 3,455,686 | \$ 3,163,106 |

The Foundation has received funds from current and past campaigns that remain externally restricted for specific use and will be disbursed in accordance with the donor's stipulations.

The Foundation Board of Directors has internally restricted funds for future needs, which will be disbursed as determined by the Foundation Board of Directors. Internally restricted funds are recorded as transfers from the unrestricted fund in the statement of changes in fund balances.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

6. Investment income (loss):

Investment income (loss) consists of the following:

| | 2021 | 2020 |
|---|-------------------|---------------------|
| Dividend and interest income earned on unrestricted resources | \$ 202,183 | \$ 202,684 |
| Realized gain on unrestricted resources | 32,136 | 35,761 |
| Unrealized gain (loss) on unrestricted resources | 758,609 | (525,246) |
| | <u>\$ 992,928</u> | <u>\$ (286,801)</u> |

7. Canada emergency wage subsidy:

During the year, the Association applied for and received \$109,828 of Canada Emergency Wage Subsidy ("CEWS") funding. Amounts received were recorded net in the Statement of Operations as an offset to salaries, wages and benefits.

As at March 31, 2021, \$38,270 was owing to the Foundation for funding periods applied for and not received. This amount has been recorded in accounts receivable.

8. Related party transactions:

The Foundation is responsible for all fundraising activities carried out on behalf of the CKHA. During the year, the Foundation paid \$892,855 (2020 - \$421,555) to the CKHA, or on behalf of the CKHA, to assist with their capital asset acquisitions and other initiatives.

The CKHA administers payroll for the Foundation and pays certain expenses on behalf of the Foundation at no additional charge. During the year, the Foundation reimbursed the CKHA for expenses paid in the amount of \$557,140 (2020 - \$558,097).

These transactions are measured at the exchange amount.

Included in accounts payable is an amount due to CKHA of \$89,242 (2020 - \$78,534).

9. Financial risks:

There has been no change to the risk exposures from 2020.

(a) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Financial risks (continued):

(b) Credit risk:

The Foundation is exposed to credit risk with respect to certain term deposits. The term deposits are invested with Canadian financial institutions.

(c) Interest rate risk:

The Foundation is exposed to interest rate risk on its fixed rate financial instruments. Fixed-interest instruments subject the Foundation to a fair value risk.

(d) Market risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issue or all other factors affecting all instruments traded in the market. As all of the Foundation's quoted equity instruments are recorded at fair value, all changes in market conditions will directly affect the financial position of the Foundation. Market price risk is managed by the investment manager through construction of a diversified portfolio of instruments traded on various markets and across various industries.

(e) Other risks:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. This resulted in the Canadian and Provincial Governments enacting emergency measures to combat the spread of the virus. The impact of COVID-19 is expected to impact operations for a duration that cannot be reasonably predicted. The further overall operational and financial impact is highly dependent on the duration of COVID-19, including the potential occurrence of additional waves of the pandemic, and could be affected by other factors that are currently not known at this time. Management is actively monitoring the effect of the pandemic on its financial condition, liquidity, operations, suppliers, and workforce.

Given the daily evolution of the pandemic and the global responses to curb its spread, the Foundation is not able to fully estimate the effects of the pandemic on its financial position (its main sources of revenue being donations and investment income), operations, financial results, and cash flows in future periods.

10. Comparative information:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.