

Financial Statements of

**CHATHAM-KENT HEALTH ALLIANCE
FOUNDATION**

And Independent Auditors' Report thereon

Year ended March 31, 2020

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Table of Contents

Year ended March 31, 2020

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Operations	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7



KPMG LLP
140 Fullarton Street Suite 1400
London ON N6A 5P2
Canada
Tel 519 672-4880
Fax 519 672-5684

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, 2020
- 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, 2020, 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 23, 2020

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Financial Position

March 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash (note 2)	\$ 660,923	\$ 380,116
Short-term investments (note 3)	220,000	782,729
Accounts receivable	34,962	37,658
Prepaid expenses	37,805	33,639
	<u>953,690</u>	<u>1,234,142</u>
Investments (note 3)	4,716,337	4,762,434
Other	600	600
	<u>\$ 5,670,627</u>	<u>\$ 5,997,176</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 109,897	\$ 194,098
Deferred revenue	40,375	9,500
	<u>150,272</u>	<u>203,598</u>
Fund balances:		
Unrestricted	2,357,249	2,873,234
Restricted (note 5)	3,163,106	2,920,344
	<u>5,520,355</u>	<u>5,793,578</u>
Commitments (note 8)		
Subsequent event (note 11)		
	<u>\$ 5,670,627</u>	<u>\$ 5,997,176</u>

See accompanying notes to financial statements.

On behalf of the Board:


Director


Director

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Operations

March 31, 2020, with comparative information for 2019

	Restricted	Unrestricted	2020 Total	2019 Total
Revenue:				
Donations	\$ 253,896	\$ 280,436	\$ 534,332	\$ 810,731
Annual campaigns	65,151	207,611	272,762	299,181
Investment income (loss) (note 6)	-	(286,801)	(286,801)	430,279
Special events	583,750	143,671	727,421	325,198
Administration fees (note 7)	-	71,716	71,716	142,922
Nevada tickets	-	4,030	4,030	5,821
ATM machine	-	3,001	3,001	2,706
	902,797	423,664	1,326,461	2,016,838
Expenses (recovery):				
Donations to Chatham-Kent Health Alliance	279,054	57,187	336,241	2,888,787
Salaries and benefits	-	550,008	550,008	637,719
Administration fees (note 7)	71,716	-	71,716	142,922
Marketing and promotion	-	22,237	22,237	22,669
Special events	259,821	53,923	313,744	58,324
Office	-	61,893	61,893	68,791
Annual campaigns	6,469	71,287	77,756	49,233
Professional fees	-	20,131	20,131	122,543
Donations for physician recruitment	85,314	-	85,314	43,272
Disbursements from future needs fund	-	-	-	30,989
Donor relations	-	14,449	14,449	6,849
Staff professional development	-	36	36	4,419
Nevada	-	1,710	1,710	3,101
Strategic plan and board development	-	27,130	27,130	-
Donor recognition	-	17,319	17,319	17,876
	702,374	897,310	1,599,684	4,097,494
Excess (deficiency) of revenue over expenses	\$ 200,423	\$ (473,646)	\$ (273,223)	\$ (2,080,656)

See accompanying notes to financial statements.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Changes in Fund Balances

March 31, 2020, with comparative information for 2019

March 31, 2020	Restricted	Unrestricted	Total
Balance, beginning of year	\$ 2,920,344	\$ 2,873,234	\$ 5,793,578
Excess (deficiency) of revenue over expenses	200,423	(473,646)	(273,223)
Interfund transfer	42,339	(42,339)	-
Balance, end of year	\$ 3,163,106	\$ 2,357,249	\$ 5,520,355

March 31, 2019	Restricted	Unrestricted	Total
Balance, beginning of year	\$ 5,262,245	\$ 2,611,989	\$ 7,874,234
Excess (deficiency) of revenue over expenses	(2,350,605)	269,949	(2,080,656)
Interfund transfer	8,704	(8,704)	-
Balance, end of year	\$ 2,920,344	\$ 2,873,234	\$ 5,793,578

See accompanying notes to financial statements.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Cash Flows

March 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (273,223)	\$ (2,080,656)
Changes in non-cash working capital balances:		
Accounts receivable	2,696	(6,846)
Prepaid expenses	(4,166)	2,718
Accounts payable and accrued liabilities	(84,201)	(114,122)
Deferred revenue	30,875	(60,363)
	<u>(328,019)</u>	<u>(2,259,269)</u>
Investing activities:		
Net change in investments	608,826	1,493,673
Increase (decrease) in cash	280,807	(765,596)
Cash, beginning of year	380,116	1,145,712
Cash, end of year	<u>\$ 660,923</u>	<u>\$ 380,116</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, 2020

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 \$130,770 (2019 – \$8,421).

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

3. Investments:

	2020	2019
Guaranteed investment certificates, measured at amortized cost	\$2,121,345	\$ 1,826,278
Provincial bonds and debentures, measured at amortized cost	-	307,729
Common and preferred shares, measured at fair value	2,814,992	3,411,156
	4,936,337	5,545,163
Less: short-term investments	220,000	782,729
	\$ 4,716,337	\$ 4,762,434

The guaranteed investment certificates have an effective interest rate of 1.95% to 3.16% (2019 – 1.95% to 3.16%) and mature between 2020 and 2025.

The debentures outstanding in 2019 had fixed rates ranging from 4.1% to 4.4%.

Investments in common and preferred shares consist of shares in public companies and have cost of \$2,801,771 (2019 - \$2,880,064).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$436 for HST (2019 – \$420).

5. Restricted fund:

The restricted fund consists of the following amounts:

	2020	2019
Externally restricted	\$ 2,467,345	\$ 2,266,922
Internally restricted	695,761	653,422
	\$ 3,163,106	\$ 2,920,344

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, 2020

6. Investment income:

Investment income consists of the following:

	2020	2019
Dividend and interest income earned on unrestricted resources	\$ 202,684	\$ 230,366
Realized gain on unrestricted resources	35,761	180,348
Unrealized gain (loss) on unrestricted resources	(525,246)	18,074
Interest income earned on restricted resources	-	1,491
	<u>\$ (286,801)</u>	<u>\$ 430,279</u>

7. Administration fees:

Administrative fees expense for the externally restricted fund include administration expense allocations of \$71,716 (2019 - \$142,922). These charges are offset by administration fees revenue in the unrestricted fund.

8. Commitments:

As at March 31, 2020, the Foundation has committed to provide additional funding of \$38,276 to be paid out over the next fiscal year for equipment.

9. Related party transactions:

The Foundation is responsible for all fundraising activities carried out on behalf of the CKHA. During the year, the Foundation paid \$421,555 (2019 - \$2,963,048) 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 \$558,097 (2019 - \$644,789).

These transactions are measured at the exchange amount.

Included in accounts payable is an amount due to CKHA of \$78,534 (2019 - \$102,324).

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements (continued)

Year ended March 31, 2020

10. Financial risks:

There has been no change to the risk exposures from 2019.

(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.

(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.

11. Subsequent event:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 (COVID-19) outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

At the time of approval of these financial statements, the Foundation has experienced the following financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Temporary declines in the fair value of investments and investment income;
- The closure of the Foundation building to the general public;
- The implementation of working from home requirements for certain employees.

For the year ended March 31, 2020, the Foundation recognized unrealized losses on investments of \$525,246 through investment income on the statement of operations.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Foundation's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated unrestricted fund balances to sustain operations. An estimate of the financial effect of the pandemic on the Foundation is not practicable at this time.