

Financial Statements of

**CHATHAM-KENT HEALTH
ALLIANCE FOUNDATION**

And Independent Auditor's Report thereon

Year ended March 31, 2023

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

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Year ended March 31, 2023

Independent Auditor's Report

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INDEPENDENT AUDITOR'S 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, 2023
- the statement of operations and 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

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 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.



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- 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.
- 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 20, 2023

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash (note 2)	\$ 2,074,929	\$ 1,787,299
Short-term investments (note 3)	353,000	463,000
Accounts receivable	27,058	21,466
Prepaid expenses	61,408	38,849
	<u>2,516,395</u>	<u>2,310,614</u>
Investments (note 3)	7,976,809	8,425,874
Other	6,117	7,371
	<u>\$ 10,499,321</u>	<u>\$ 10,743,859</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 412,246	\$ 151,592
Deferred revenue	151,078	76,075
	<u>563,324</u>	<u>227,667</u>
Fund balances:		
Unrestricted	5,358,723	6,041,583
Restricted (note 5)	4,577,274	4,474,609
	<u>9,935,997</u>	<u>10,516,192</u>
	<u>\$ 10,499,321</u>	<u>\$ 10,743,859</u>

See accompanying notes to financial statements.

On behalf of the Board:


Director


Director

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Operations and Changes in Fund Balances

March 31, 2023, with comparative information for 2022

	Restricted	Unrestricted	2023 Total	2022 Total
Revenue:				
Donations (note 6)	\$ 583,106	\$ 783,603	\$ 1,366,709	\$ 3,735,758
Lotteries	223,680	90,835	314,515	333,771
Special events (note 6)	20,890	213,494	234,384	235,461
Administrative	—	117,856	117,856	409,154
CEWS and other income (note 7)	—	328	328	44,436
	827,676	1,206,116	2,033,792	4,758,580
Investment income (loss) (note 8)	—	(208,632)	(208,632)	607,767
Expenses:				
Salaries and benefits	—	625,035	625,035	515,292
Administrative	117,856	236,923	354,779	579,148
Lottery costs	134,367	48,415	182,782	190,434
Special events	—	24,224	24,224	27,786
Fundraising costs	932	27,816	28,748	49,114
	253,155	962,413	1,215,568	1,361,774
Excess of revenue over expenses before disbursements to CKHA	574,521	35,071	609,592	4,004,573
Disbursements to CKHA	560,796	628,991	1,189,787	560,470
Excess (deficiency) of revenue over expenses	13,725	(593,920)	(580,195)	3,444,103
Fund balances, beginning of year	4,474,609	6,041,583	10,516,192	7,072,089
Interfund transfers	88,940	(88,940)	—	—
Fund balances, end of year	\$ 4,577,274	\$ 5,358,723	\$ 9,935,997	\$ 10,516,192

See accompanying notes to financial statements.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Statement of Cash Flows

March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by:		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (580,195)	\$ 3,444,103
Item not involving cash:		
Condo timeshare	-	(758)
Changes in non-cash working capital balances:		
Accounts receivable	(5,592)	39,807
Prepaid expenses	(22,559)	(1,237)
Accounts payable and accrued liabilities	260,654	5,260
Deferred revenue	75,003	34,550
	(272,689)	3,521,725
Investing activities:		
Other, net	1,254	(3,761)
Net change in investments	559,065	(2,955,155)
	560,319	(2,958,916)
Increase in cash	287,630	562,809
Cash, beginning of year	1,787,299	1,224,490
Cash, end of year	\$ 2,074,929	\$ 1,787,299

See accompanying notes to financial statements.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

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.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued):

(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.

(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.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

1. Significant accounting policies (continued):

(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.

(g) Government funding:

Government funding is recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the funding occur, performance criteria are met, and a reasonable estimate of the amount can be made. Government funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenditures are incurred or services performed.

2. Cash:

The Foundation's bank accounts are maintained at two Canadian chartered banks. Cash (indebtedness) maintained by an investment broker amounts to \$53 (2022 - \$(351)).

3. Investments:

	2023	2022
Guaranteed investment certificates, measured at amortized cost	\$ 2,702,161	\$ 2,696,474
Federal bonds and debentures, measured at amortized cost	35,726	37,252
Other bonds and debentures, measured at amortized cost	290,692	300,928
Common and preferred shares, measured at fair value	5,301,230	5,854,220
	8,329,809	8,888,874
Less: short-term investments	353,000	463,000
	\$ 7,976,809	\$ 8,425,874

The guaranteed investment certificates have an effective interest rate of 1.60% to 4.68% (2022 - 1.60% to 3.16%) and mature between 2023 and 2027.

The bonds outstanding have fixed interest rates between 1.13% and 7.00% (2022 - 1.13% and 7.00%) and mature between 2025 and 2031.

Investments in common and preferred shares consist of shares in public companies with a cost of \$4,723,485 (2022 - \$4,739,743).

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$nil for HST (2022 - \$47).

5. Restricted fund:

The restricted fund consists of the following amounts:

	2023	2022
Externally restricted	\$ 3,384,070	\$ 3,366,483
Internally restricted	1,193,204	1,108,126
	<u>\$ 4,577,274</u>	<u>\$ 4,474,609</u>

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's Board of Directors has internally restricted funds for future needs, which will be disbursed as determined by the Foundation's Board of Directors. Internally restricted funds amounting to \$88,940 are recorded as transfers from the unrestricted fund in the statement of changes in fund balances.

During 2022, the Board has removed the restriction on certain funds and accordingly \$278,328 was recorded as transfer from the restricted funds to the unrestricted fund in the statement of changes of the fund balances.

6. Donations and special events revenue:

During the year, donations revenue was received during a special event. As such, \$50,107 of donation revenue has been recorded as special events revenue.

7. CEWS and other income:

During the year, the Foundation received \$nil (2022 - \$43,904) of Canada Emergency Wage Subsidy ("CEWS") funding.

The Foundation received \$328 (2022 - \$532) during the year in ATM commissions from CKHA.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

8. Investment income (loss):

Investment income (loss) consists of the following:

	2023	2022
Dividend and interest income earned on unrestricted investments	\$ 350,311	\$ 223,263
Realized gain on unrestricted investments	(12,136)	78,800
Unrealized gain (loss) on unrestricted investments	(546,807)	305,704
	\$ (208,632)	\$ 607,767

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 \$1,189,787 (2022 - \$560,470) 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 \$630,892 (2022 - \$526,595).

These transactions are measured at the exchange amount.

Included in accounts payable is an amount due to CKHA of \$375,032 (2022 - \$106,953).

10. Financial risks:

There has been no change to the risk exposures from 2022.

(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.

CHATHAM-KENT HEALTH ALLIANCE FOUNDATION

Notes to Financial Statements

Year ended March 31, 2023

10. Financial risks (continued):

(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.