



Financial Statements

Chatham-Kent Community Health Centres

March 31, 2019

Contents

	Page
Independent Auditor's Report	1
Statement of Revenue and Expenditures	3
Statement of Financial Position	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 10
Supplementary Financial Information	11

Independent Auditor's Report

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To the Members of
Chatham-Kent Community Health Centres

Opinion

We have audited the financial statements of Chatham-Kent Community Health Centres, which comprise the statement of financial position as at March 31, 2019, and the statement of revenue and expenditures and statement of cash flows 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 centre as at March 31, 2019, and its financial performance 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 report. We are independent of the centre 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 centre'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 centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the centre'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

Independent Auditor's Report (continued)

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 centre'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 centre'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 centre 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.

Grant Thornton LLP

Windsor, Canada
June 25, 2019

Chartered Professional Accountants
Licensed Public Accountants

Chatham-Kent Community Health Centres

Statement of Revenue and Expenditures

For the year ended March 31

	2019	2018
	\$	\$
Revenue		
Ministry of Health and Long-Term Care funding	8,219,930	7,964,838
One time funding	555,546	229,534
Amortization of deferred contributions related to capital assets	287,582	300,479
Recoveries	58,016	137,708
Other revenue	79,466	66,954
Paymaster expense	(193,020)	(102,280)
Deferred contributions related to funded capital asset purchases	(39,487)	(15,831)
	<hr/> 8,968,033	<hr/> 8,581,402
Expenditures		
Salaries and benefits	6,561,032	5,828,738
Building and plant	854,479	821,472
Equipment and software licenses	94,595	160,356
Medical supplies and equipment	57,771	70,775
Contracted out services	62,898	375,438
General operating and sundry expenses	361,698	436,896
Amortization	287,582	300,479
Professional development	28,694	51,129
Travel	51,634	43,060
Transfer payments	607,634	482,500
	<hr/> 8,968,017	<hr/> 8,570,843
Excess before surplus repayable	16	10,559
Surplus Repayable	(16)	(10,559)
Excess of revenue over expenditures	-	-
Net assets, beginning of year	(344,970)	(344,970)
Net assets, end of year	(344,970)	(344,970)

Chatham-Kent Community Health Centres

Statement of Financial Position

March 31, 2019

	2019	2018
	\$	\$
Assets		
Current assets		
Cash	119,352	386,588
Accounts receivable	45,437	46,333
Harmonized sales tax recoverable	69,529	56,151
Prepaid expenses	30,240	78,136
	<u>264,558</u>	<u>567,208</u>
Tangible capital assets (Note 4)	<u>788,032</u>	<u>1,036,127</u>
	<u>1,052,590</u>	<u>1,603,335</u>
Liabilities and net assets		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	588,105	801,651
Due to the Ministry of Health and Long-Term Care	13,076	105,875
	<u>601,181</u>	<u>907,526</u>
Deferred contributions		
Property and equipment (Note 10)	788,029	1,036,125
Future expenditures	8,350	4,654
	<u>1,397,560</u>	<u>1,948,305</u>
Net assets		
Unrestricted	<u>(344,970)</u>	<u>(344,970)</u>
	<u>1,052,590</u>	<u>1,603,335</u>

Approved on behalf of the board:

_____ Director

_____ Director

Chatham-Kent Community Health Centres

Statement of Cash Flows

For the year ended March 31, 2019

	2019	2018
	\$	\$
Cash flows from operating activities:		
Non-cash items included in the determination of net earnings (loss):		
Cash receipts from customers, members, and funding agencies	8,946,573	8,590,487
Cash paid to suppliers and employees	(9,081,507)	(8,184,147)
Repayments to Ministry of Health and Long-Term Care	(92,815)	(411,542)
	<u>(227,749)</u>	<u>(5,202)</u>
Cash flows from investing activities:		
Purchase of capital assets	(39,487)	(15,831)
Increase (decrease) in cash and cash equivalents	(267,236)	(21,033)
Cash and cash equivalents, beginning of year	386,588	407,621
Cash and cash equivalents, end of year	<u>119,352</u>	<u>386,588</u>
Cash and cash equivalents comprised of:		
Cash in bank	<u>119,352</u>	<u>386,588</u>

Chatham-Kent Community Health Centres

Notes to the Financial Statements

Year ended March 31, 2019

1. Nature of operations

Chatham-Kent Community Health Centres was incorporated without share capital under letters of patent on October 9, 2008. The organization is a registered charity exempt from income taxes under Section 149 (1)(f) of the Income Tax Act of Canada. The organization provides health care facilities and programs to the surrounding community.

2. Significant accounting policies

The organization applies the Canadian accounting standards for non-for-profit organizations.

Basis of presentation

The financial statements have been prepared in accordance with the Canadian accounting standards for not-for-profit organizations.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term deposits which are highly liquid and for which the original maturities are less than three months.

Revenue recognition

The Organization follows the deferral method of accounting for contributions as described below.

Where the use of the contributions has been restricted, the revenue is deferred and recognized in the year in which the related expenses are incurred. Where a portion of a contribution relates to a future period, it is deferred and recognized in the subsequent period.

Contributions restricted for the purchase of property and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property and equipment.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Chatham-Kent Community Health Centres

Notes to the Financial Statements

Year ended March 31, 2019

2. Significant accounting policies, continued

Financial instruments

Initial measurement

Upon initial measurement, the Health Centres' financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs. Transaction costs relating to financial assets and liabilities that will be measured subsequently at fair value are recognized in operations in the year they are incurred.

Subsequent measurement

At each reporting date, the Health Centres measures its financial assets and financial liabilities at amortized cost (including any impairment in the case of financial assets), except for mutual fund investments which are measured at fair value and bond investments which the Health Centres has elected to measure at fair value by designating that fair value measurement shall apply.

With respect to financial assets measured at amortized cost, the Health Centre assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Health Centre determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it will then recognize a reduction as an impairment loss in operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in operations in the year the reversal occurs. Financial assets measured at amortized cost include: cash and cash equivalents, accounts receivable, and government remittances receivable. Financial liabilities measured at amortized cost include: accounts payable and accrued liabilities, government remittances payable, and due to the Ministry of Health and Long-Term Care.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The organization operates under a Multi-Sector Service Accountability Agreement with the Erie St. Clair Local Health Integration Network. This agreement sets out the rights and obligations of the two parties in respect of funding provided as well as performance standards. The LHIN is not required to communicate funding adjustments until after the submission of year-end data and therefore the amount of surplus repayable recognized in these financial statements represents managements best estimate of the amounts repayable for the current year.

Donated services

Donated services are not recorded in the accounts. Where the value is ascertainable, donated goods are recognized at their fair value.

Chatham-Kent Community Health Centres

Notes to the Financial Statements

Year ended March 31, 2019

2. Significant accounting policies, continued

Employee future benefits

Employees of the organization are members of the Healthcare of Ontario Pension Plan (HOOPP) which is a multi-employer final average pay contributory pension plan. Defined contribution plan accounting is applied to this plan as the organization has insufficient information to apply defined benefit plan accounting standards.

Tangible capital assets

Purchased tangible capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Betterments which extend the estimated life of an asset are capitalized. When a tangible capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value.

Amortization is are calculated on a straight-line basis at the following annual rates:

Leasehold improvements	5 - 20 years
Office furniture and equipment	5 years
Computer equipment	3 years
Medical equipment	3 years

3. Financial instruments

The Health Centres is exposed to various risks throughout its financial instruments, without being exposed to concentrations of risk. The following analysis provides a measure of the company's risk exposures at March 31, 2019.

Liquidity risk

Liquidity risk relates to the risk the organization will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities in its statements of financial position consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Chatham-Kent Community Health Centres

Notes to the Financial Statements

Year ended March 31, 2019

4. Tangible capital assets

	Cost \$	Accumulated Amortization \$	2019 Net Book Value \$	2018 Net Book Value \$
Leasehold improvements	1,781,438	1,064,305	717,133	954,705
Office furniture and fixtures	409,766	395,857	13,909	32,763
Computer equipment	39,488	6,581	32,907	1
Medical equipment	435,219	411,136	24,083	48,658
Computer software	314,258	314,258	-	-
Automotive	27,121	27,121	-	-
	<hr/> 3,007,290	<hr/> 2,219,258	<hr/> 788,032	<hr/> 1,036,127

5. Commitments

The organization has entered into lease commitments for its premises. Total commitments for these lease payments for the next five years are as follows:

	\$
2020	578,759
2021	590,909
2022	590,909
2023	320,903
2024	142,142

The organization has entered into lease commitments for certain equipment. Total commitments for these lease payments for the next four years are as follows:

	\$
2020	1,409
2021	1,409
2022	1,409
2023	1,175

6. Allocation of expenses

The organization allocates certain of its fundraising and general support expenses based on budget. Costs relating to specific programs are allocated within the budgeted funding. Allocated fundraising and general support expenses include salaries and benefits, professional fees, occupancy costs, purchased services and development expenses.

Chatham-Kent Community Health Centres

Notes to the Financial Statements

Year ended March 31, 2019

7. Economic dependence

Approximately 99% (2018 - 99%) of the organization's funding was received from the Ministry of Health and Long-Term Care.

8. Accounts payable and accrued liabilities

Included in the accounts payable and accrued liabilities balance is \$77,920 of government remittances payable (2018 - \$129,203).

9. Comparative figures

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.

10. Deferred contributions

Property and equipment

The balance represents the unamortized amount of funding received for the purchase of plan property and equipment. The amortization of the contributions is recorded as revenue in the statement of operations on a straight-line basis, at a rate corresponding with the amortization rate for the related property and equipment.

	2019	2018
	\$	\$
Opening balance	1,036,125	1,320,774
Capital funding received	39,486	15,830
Amortization for the year	(287,582)	(300,479)
Closing balance	788,029	1,036,125

Chatham-Kent Community Health Centres

Supplementary Financial Information Ministry of Health and LHIN Managed Programs

For the year ended March 31, 2019

	CHC \$	SAP \$	Eating Disorders \$	Total \$
Revenue				
Ministry of Health and Long-Term Care funding	7,747,125	345,258	127,547	8,219,930
Recovery	58,016	-	-	58,016
ESC local integrated health network - one time funding	555,546	-	-	555,546
Other revenue	72,620	2,885	3,961	79,466
Funding per pay notice	8,433,307	348,143	131,508	8,912,958
Paymaster expense	90,000	103,020	-	193,020
Total revenue for settlement purposes	8,343,307	245,123	131,508	8,719,938
Amortization of deferred contributions	287,582	-	-	287,582
Deferral of funded capital purchases	(39,487)	-	-	(39,487)
Total revenue	8,591,402	245,123	131,508	8,968,033
Expenses				
Salaries and benefits	6,373,586	64,314	123,132	6,561,032
Building and plant	854,479	-	-	854,479
Equipment and software licenses	94,595	-	-	94,595
Medical supplies and equipment	57,771	-	-	57,771
Contracted out services	62,898	-	-	62,898
Transfer payments	432,500	175,134	-	607,634
General operating and sundry expenses	355,829	3,489	2,380	361,698
Travel	43,452	2,186	5,996	51,634
Professional development	28,694	-	-	28,694
Current year funded capital purchases	39,487	-	-	39,487
Total expenditures for settlement purposes	8,343,291	245,123	131,508	8,719,922
Amortization	287,582	-	-	287,582
Deferral of funded capital purchases	(39,487)	-	-	(39,487)
Total Expenditures	8,591,386	245,123	131,508	8,968,017
Excess of revenue over expenditures	16	-	-	16