Chatham-Kent Community Health Centres

Financial Statements

March 31, 2023

Contents

For the year ended March 31, 2023

Independent Auditor's Report

To the Members of Chatham-Kent Community Health Centres:

Opinion

We have audited the financial statements of Chatham-Kent Community Health Centres (the "Centre"), which comprise the statement of financial position as at March 31, 2023, and the statements of revenues and expenses and changes in net assets and 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, 2023, and the results of its operations 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.

Other Matter

The financial statement for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on June 21, 2022.

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.

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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 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.

MNP LLP

Wallaceburg, Ontario

Chartered Professional Accountants

September 27, 2023

Licensed Public Accountants

MNP

Chatham-Kent Community Health Centres
Statement of Financial Position
As at March 31, 2023

	2023 $	2022 $
Assets		
Current		
Cash	**37,622**	149,451
Accounts receivable	**154,028**	69,033
Harmonized sales tax recoverable	**330,896**	196,763
Prepaid expenses	**49,110**	47,614
	571,656	462,861
Capital assets *(Note 3)*	**342,189**	219,708
Deposits	**16,080**	16,080
	929,925	698,649
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 5)*	**894,682**	787,051
Due to the Ministry of Health	**37,340**	31,767
	932,022	818,818
Deferred contributions related to capital assets *(Note 6)*	**318,956**	193,962
Deferred contributions	**23,917**	30,839
	1,274,895	1,043,619
Net Assets		
Unrestricted	**(344,970)**	(344,970)
	929,925	698,649

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Chatham-Kent Community Health Centres
Statement of Revenue and Expenses and Changes in Net Assets
For the year ended March 31, 2023

	2023	*2022*
Revenue		
Ministry of Health	**8,378,160**	8,502,385
One-time government funding	**717,840**	380,103
Amortization of deferred contributions related to capital assets *(Note 6)*	**127,173**	318,389
Recoveries	**202,264**	138,945
Other revenue	**52,622**	71,820
Paymaster expense	**(323,020)**	(575,061)
	9,155,039	8,836,581
Expenses		
Salaries and benefits	**7,007,506**	6,554,719
Building and plant	**894,084**	980,478
General operating and sundry expenses	**564,922**	473,056
Amortization	**127,173**	318,389
Equipment and software licenses	**275,422**	270,866
Contracted out services	**90,927**	105,678
Medical supplies	**77,410**	69,278
Professional development	**39,721**	51,376
Travel	**72,300**	12,066
	9,149,465	8,835,906
Excess before surplus repayable	**5,574**	675
Surplus repayable	**(5,574)**	(675)
Excess of revenue over expenses	**-**	-
Net deficit, beginning of year	**(344,970)**	(344,970)
Net deficit, end of year	**(344,970)**	(344,970)

The accompanying notes are an integral part of these financial statements

Chatham-Kent Community Health Centres
Statement of Cash Flows
For the year ended March 31, 2023

	2023	*2022*
Cash provided by (used for) the following activities		
Operating		
Non-cash items included in the determination of excess of revenues over expenses:		
Cash receipts from funding agencies and customers	**9,179,962**	8,484,960
Cash paid to suppliers and employees	**(9,291,791)**	(8,760,555)
Repayments to Ministry of Health	**-**	(3,012)
Decrease in cash resources	**(111,829)**	(278,607)
Cash resources, beginning of year	**149,451**	428,058
Cash resources, end of year	**37,622**	149,451

The accompanying notes are an integral part of these financial statements

1. Nature of operations

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

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Basis of presentation

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

Revenue recognition

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

Where the use of the contribution 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 capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

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.

Other revenue are recorded in the period in which they are earned and measurement and collectability is reasonably assured.

Financial instruments

The Centre recognizes financial instruments when the Centre becomes party to the contractual provisions of the financial instrument.

Arm's length financial instruments

Financial instruments originated/acquired or issued/assumed in an arm's length transaction ("arm's length financial instruments") are initially recorded at their fair value.

At initial recognition, the Centre may irrevocably elect to subsequently measure any arm's length financial instrument at fair value. The Centre has made such an election during the year. Financial assets or liabilities have been designated to be subsequently measured at their fair value. Fair value is determined by reference to recent arm's length transactions.

Financial asset impairment

The Centre assesses impairment of all its financial assets measured at cost or amortized cost. The Centre groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; or no asset is individually significant. Management considers whether the issuer is having significant financial difficulty or whether there has been a breach in contract, such as a default or delinquency in interest or principal payments, in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Centre determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year.

2. Significant accounting policies *(Continued from previous page)*

Financial instruments *(Continued from previous page)*

With the exception of related party debt instruments and related party equity instruments initially measured at cost, the Centre reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party debt instruments initially measured at cost, the Centre reduces the carrying amount of the asset (or group of assets), to the highest of: the undiscounted cash flows expected to be generated by holding the asset, or group of similar assets, excluding the interest and dividend payments of the instrument; the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets at the statement of financial position date; and the amount expected to be realized by exercising any rights to collateral held against those assets.

For related party equity instruments initially measured at cost, the Centre reduces the carrying amount of the asset (or group of assets), to the amount that could be realized by selling the asset(s) at the statement of financial position date.

Any impairment, which is not considered temporary, is included in current year excess of revenues over expenses.

The Centre reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in excess of revenues over expenses in the year the reversal occurs.

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. Items subject to significant management estimates include valuation of allowance for doubtful accounts and useful lives of capital assets.

The Centre operates under a Multi-Sector Service Accountability Agreement with the Erie St.Clair Local Health Integration Network (LHIN). 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 inthese financial statements represents management's best estimate of the amounts repayable for the current year.

Donated good and services

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

Employee future benefits

Employees of the Centre are members of the Healthcare of Ontario Pension Plan (HOOPP) which is a multi-employer final average pay contributory pension plan. Due to the nature ofthe plan, the Centre does not have sufficient information to account for the plan as a defined benefit plan; therefore, the multi-employer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period when the Centre is obligated to make contributions for services rendered by the employee. Any unpaid contributions are included in Accounts payable and accrued liabilities on the statement of financial position.

2. Significant accounting policies *(Continued from previous page)*

Capital assets

Purchased 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 capital asset no longer contributes to the Centre's ability to provide services, its carrying amount is written down to its residual value. Writedowns are not reversed.

The cost of the capital assets with a finite life are amortized over its estimated or useful life in a systematic manner appropriate to the nature of that item and its use by the Centre. Accordingly, the Centre uses the straight-line method whereby a fixed amount is periodically amortized into excess of revenue over expenditures over the asset’s respective useful life.

Amortization is 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	5 years
Computer software	3 years
Automotive	5 years

Allocation of expenses

The Centre allocates certain of its fundraising and general support expenses based on the 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.

3. Capital assets

	Cost	***Accumulated amortization***	***2023 Net book value***	*2022 Net book value*
Automotive	**174,819**	**58,188**	**116,631**	28,521
Computer equipment	**190,707**	**112,603**	**78,104**	64,757
Computer software	**314,258**	**314,258**	**-**	-
Medical equipment	**484,364**	**450,961**	**33,403**	36,651
Office furniture and equipment	**556,459**	**482,564**	**73,895**	81,873
Leasehold improvements	**1,871,692**	**1,831,536**	**40,156**	7,906
	3,592,299	**3,250,110**	**342,189**	219,708

4. Line of credit

The Centre has an operating line of credit with TD Canada Trust up to an amount of $350,000 at an annual interest rate of TD prime rate + 0%, secured by a general security agreement. As of March 31, 2023 the credit facility was not in use (2022 - not in use).

5. Accounts payable and accruals

Included in the accounts payable and accrued liabilities balance is $78,440 of government remittances payable (2022 - $72,918).

6. Deferred contributions - capital assets

The balance represents the unamortized amount of funding received for the purchase of capital assets. 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 capital assets.

	2023	*2022*
Balance, beginning of year	**193,962**	413,156
Capital funding received	**252,167**	91,046
Less: Amortization for the year	**(127,173)**	(310,240)
Balance, end of year	**318,956**	193,962

7. Economic dependence / government assistance

Approximately 95% (2022 - 95%) of the Centre's funding was received from the Ministry of Health.

8. Commitments

The Centre has entered into lease commitments for its premises and certain equipment. Total commitments for these leases for the next five years are as follows:

2024	445,290
2025	301,914
2026	307,330
2027	308,414
2028	312,264
Thereafter	1,312,257
	2,987,469

9. Financial instruments

The Centre is exposed to various risks through its financial instruments, without being exposed to concentrations of risk. The following analysis presents the Centre's exposures to significant risk as at March 31, 2023:

Liquidity risk

Liquidity risk relates to the risk the Centre will encounter difficulty in meeting its obligations associated with financial liabilities. The Centre is exposed to this risk mainly in respect of its 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.

10. 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.