

Financial Statements of

**FOUNDATION OF CHATHAM-KENT
HEALTH ALLIANCE**

Year ended March 31, 2018

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Foundation of Chatham-Kent Health Alliance, which comprise the statement of financial position as at March 31, 2018, the statements of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation of Chatham-Kent Health Alliance as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

May 29, 2018

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash (note 2)	\$ 1,081,701	\$ 1,686,490
Accounts receivable	30,812	30,943
Prepaid expenses	36,357	40,369
	<u>1,148,870</u>	<u>1,757,802</u>
Investments (note 3)	7,038,836	7,111,546
Other	600	600
	<u>\$ 8,188,306</u>	<u>\$ 8,869,948</u>

Liabilities and Fund Balances

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 308,312	\$ 146,512
Deferred revenue	69,863	43,838
	<u>378,175</u>	<u>190,350</u>
Fund balances:		
Unrestricted	2,611,896	2,061,310
Restricted (note 5)	5,198,235	6,618,288
	<u>7,810,131</u>	<u>8,679,598</u>
Commitments (note 8)		
	<u>\$ 8,188,306</u>	<u>\$ 8,869,948</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	Restricted	Unrestricted	2018 Total	2017 Total
Revenue:				
Donations (note 10)	\$ 388,558	\$ 862,387	\$ 1,250,945	\$ 1,254,979
Annual campaigns	248,373	10,441	258,814	219,723
Investment income (note 6)	167	310,889	311,056	503,164
Special events	209,959	-	209,959	313,850
Administration fees (note 7)	-	129,697	129,697	252,505
Nevada tickets	-	4,879	4,879	5,373
ATM machine	-	3,116	3,116	3,374
	847,057	1,321,409	2,168,466	2,552,968
Expenses (recovery):				
Donations to Chatham-Kent Health Alliance	2,109,698	2,533	2,112,231	353,410
Salaries and benefits	-	466,896	466,896	612,350
Administration fees (note 7)	129,697	-	129,697	244,005
Marketing and promotion	53,790	23,962	77,752	15,176
Special events	72,973	-	72,973	88,324
Office	-	62,434	62,434	63,475
Annual campaigns	41,880	-	41,880	39,706
Professional fees	-	32,636	32,636	20,942
Donations for physician recruitment (recovery)	25,372	-	25,372	(17,808)
Donor recognition	-	8,221	8,221	7,404
Staff professional development	-	3,581	3,581	6,070
Nevada	-	2,836	2,836	2,567
Strategic plan and board development	-	857	857	1,380
Donor relations	-	567	567	10,010
	2,433,410	604,523	3,037,933	1,447,011
Excess (deficiency) of revenue over expenses	\$ (1,586,353)	\$ 716,886	\$ (869,467)	\$ 1,105,957

See accompanying notes to financial statements.

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Statement of Changes in Fund Balances

Year ended March 31, 2018, with comparative information for 2017

March 31, 2018	Restricted	Unrestricted	Total
Balance, beginning of year	\$ 6,618,288	\$ 2,061,310	\$ 8,679,598
Excess (deficiency) of revenue over expenses	(1,586,353)	716,886	(869,467)
Interfund transfer	166,300	(166,300)	-
Balance, end of year	\$ 5,198,235	\$ 2,611,896	\$ 7,810,131

March 31, 2017	Restricted	Unrestricted	Total
Balance, beginning of year	\$ 5,722,268	\$ 1,851,373	\$ 7,573,641
Excess of revenue over expenses	811,876	294,081	1,105,957
Interfund transfer	84,144	(84,144)	-
Balance, end of year	\$ 6,618,288	\$ 2,061,310	\$ 8,679,598

See accompanying notes to financial statements.

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (869,467)	\$ 1,105,957
Changes in non-cash working capital balances:		
Accounts receivable	131	(8,192)
Prepaid expenses	4,012	(12,193)
Accounts payable and accrued liabilities	161,800	50,731
Deferred revenue	26,025	(13,990)
	(677,499)	1,122,313
Investing activities:		
Net change in investments	72,710	(861,056)
Increase (decrease) in cash	(604,789)	261,257
Cash, beginning of year	1,686,490	1,425,233
Cash, end of year	\$ 1,081,701	\$ 1,686,490

See accompanying notes to financial statements.

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Notes to Financial Statements

Year ended March 31, 2018

Foundation of Chatham-Kent Health Alliance (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.

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.

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Notes to Financial Statements (continued)

Year ended March 31, 2018

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.

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Cash:

The Foundation's bank accounts are maintained at two Canadian chartered banks. Cash maintained by an investment broker amounts to \$146,069 (2017 – \$1,427).

3. Investments:

	2018	2017
Guaranteed investment certificates, measured at amortized cost	\$ 1,529,776	\$ 1,524,803
Provincial bonds and debentures, measured at amortized cost	307,729	456,217
Common and preferred shares, measured at fair value	5,201,331	5,130,526
	<u>\$ 7,038,836</u>	<u>\$ 7,111,546</u>

The guaranteed investment certificates have an effective interest rate of 1.82% to 2.95% (2017 – 1.70% to 2.30%) and mature between 2018 and 2020.

The debentures are all at fixed rates ranging from 4.1% to 4.4% (2017 – 4.1% to 4.4%) and mature between 2018 and 2019.

Investments in common and preferred shares consist of shares in public companies and have cost of \$4,692,902 (2017 - \$4,535,503).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances of \$461 for HST (2017 – \$493).

5. Restricted fund:

The restricted fund consists of the following amounts:

	2018	2017
Externally restricted	\$ 4,571,340	\$ 6,157,692
Internally restricted	626,895	460,596
	<u>\$ 5,198,235</u>	<u>\$ 6,618,288</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 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.

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Notes to Financial Statements (continued)

Year ended March 31, 2018

6. Investment income:

Investment income consists of the following:

	2018	2017
Dividend and interest income earned on unrestricted resources	\$ 242,768	\$ 243,784
Realized gain on unrestricted resources	154,715	38,072
Unrealized gain (loss) on unrestricted resources	(86,594)	221,192
Interest income earned on restricted resources	167	116
	<u>\$ 311,056</u>	<u>\$ 503,164</u>

7. Administration fees:

Administrative fees expense for the externally restricted fund include administration expense allocations of \$129,697 (2017 - \$244,005). These charges are offset by administration fees revenue in the unrestricted fund.

8. Commitments:

During October 2014, the Foundation committed to provide \$4,825,000 over a period of 5 years to the CKHA in support of their acquisition of diagnostic imaging equipment. In the current year, the Foundation paid \$1,768,189 which is included in donations to the CKHA on the statement of operations (to date - \$1,860,107). Subsequent to year end, the Foundation made an additional payment of \$213,603.

During March 2018, the Foundation committed to provide \$8,000 to the CKHA in support of their mental health program. No payments have been made on the commitment to date.

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 \$2,137,603 (2017 - \$354,853) 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 \$547,613 (2017 - \$541,090).

These transactions are measured at exchange amount at the date of contribution.

Included in accounts payable is an amount due to CKHA of \$263,163 (2017 - \$62,925).

FOUNDATION OF CHATHAM-KENT HEALTH ALLIANCE

Notes to Financial Statements (continued)

Year ended March 31, 2018

10. Donations

During the year, the Foundation received a donation of \$750,000 from an estate in which the Foundation is a beneficiary. The donation includes capital and investment income, which has not been split into their respective amounts as this information will not be available until the final distribution from the estate has been made.

11. Financial risks:

There has been no change to the risk exposures from 2017.

(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.