

CHATHAM KENT HOSPICE INC.

**INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS**

MARCH 31, 2023

Baker Tilly CK, LLP
62 Keil Drive South
Chatham, ON
Canada N7M 3G8

T: 519.351.2024
F: 519.351.8831

chatham@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITOR'S REPORT

To the Directors of
Chatham Kent Hospice Inc.

Opinion

We have audited the financial statements of Chatham Kent Hospice Inc., which comprise the statement of financial position as at March 31, 2023, and the statements of operations 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 organization as at March 31, 2023, and its 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 organization 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.

INDEPENDENT AUDITOR'S REPORT, continued

In preparing the financial statements, management is responsible for assessing the organization'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 organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organization'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 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.

INDEPENDENT AUDITOR'S REPORT, continued

- ♦ 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 organization'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 organization'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 organization 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.

Chatham, Ontario
June 20, 2023

Baker Tilly CK, LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

CHATHAM KENT HOSPICE INC.

FINANCIAL STATEMENTS

MARCH 31, 2023



	Page
Statement of Operations and Changes in Net Assets	1
Statement of Financial Position	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 11
Schedule of Expenditures	12

CHATHAM KENT HOSPICE INC.**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS****YEAR ENDED MARCH 31, 2023**

	2023	2022
REVENUES		
Government funding - residential hospice program	\$ 1,082,668	\$ 1,077,178
Government funding - visiting volunteer program	58,600	56,100
Government funding - one time	293,975	375,000
Grants	79,911	100,281
Amortization of deferred capital contributions (note 7)	146,550	146,175
Distribution from Chatham-Kent Hospice Foundation (note 9)	1,007,500	990,873
Investment income	19,500	1,540
Other revenue	9,811	3,749
	<u>2,698,515</u>	<u>2,750,896</u>
EXPENDITURES, Schedule 1	<u>2,452,347</u>	<u>2,159,153</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER INCOME (EXPENSE)	246,168	591,743
OTHER INCOME (EXPENSE)		
Distribution to the Chatham-Kent Hospice Foundation (note 9)	<u>-</u>	<u>(697,058)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	246,168	(105,315)
NET ASSETS, BEGINNING OF YEAR	<u>587,212</u>	<u>692,527</u>
NET ASSETS, END OF YEAR	<u><u>\$ 833,380</u></u>	<u><u>\$ 587,212</u></u>

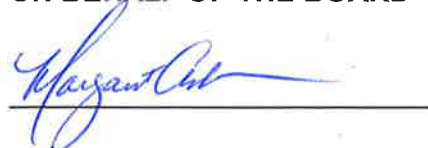
CHATHAM KENT HOSPICE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2023

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	\$ 656,930	\$ 595,680
Accounts receivable (notes 3 and 9)	54,385	59,863
Prepaid expenses	25,646	24,192
	<u>736,961</u>	<u>679,735</u>
TANGIBLE CAPITAL ASSETS (note 4)	<u>3,928,047</u>	<u>3,861,775</u>
	<u>\$ 4,665,008</u>	<u>\$ 4,541,510</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (notes 5 and 9)	\$ 52,742	\$ 59,300
Deferred contributions (note 6)	87,500	60,811
	<u>140,242</u>	<u>120,111</u>
DEFERRED CAPITAL CONTRIBUTIONS (notes 7 and 9)	<u>3,691,386</u>	<u>3,834,187</u>
	<u>3,831,628</u>	<u>3,954,298</u>
NET ASSETS	<u>833,380</u>	<u>587,212</u>
	<u>\$ 4,665,008</u>	<u>\$ 4,541,510</u>
COMMITMENTS (note 11)		

ON BEHALF OF THE BOARD



Director



Director

CHATHAM KENT HOSPICE INC.**STATEMENT OF CASH FLOWS****YEAR ENDED MARCH 31, 2023**

	2023	2022
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 246,168	\$ (105,315)
Adjustments for		
Amortization of tangible capital assets	178,299	152,323
Amortization of deferred capital contributions	<u>(146,550)</u>	<u>(146,175)</u>
	277,917	(99,167)
Change in non-cash working capital items (note 10)	<u>24,155</u>	<u>(93,749)</u>
	302,072	(192,916)
INVESTING ACTIVITY		
Purchase of tangible capital assets	(244,571)	(33,018)
FINANCING ACTIVITY		
Tangible capital assets funded by deferred capital contributions	<u>3,749</u>	<u>10,591</u>
INCREASE (DECREASE) IN CASH	61,250	(215,343)
CASH, BEGINNING OF YEAR	<u>595,680</u>	<u>811,023</u>
CASH, END OF YEAR	<u><u>\$ 656,930</u></u>	<u><u>\$ 595,680</u></u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

1. NATURE OF OPERATIONS

Chatham Kent Hospice Inc. was incorporated without share capital under the laws of Ontario on August 2, 2013. The organization provides residential hospice services and grief and bereavement support in a home-like setting where people in end of life transition and those who love and support them have access to outstanding care. The organization is a registered charity under the Income Tax Act and is exempt from income taxes, provided that certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The organization applies Canadian accounting standards for not-for-profit organizations. The significant accounting policies are as follows:

(a) CASH

Cash consists of balances with financial institutions.

(b) TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost. The organization provides for amortization using the straight-line method at rates designed to amortize the cost of the tangible capital assets over their estimated useful lives. The annual amortization rates are as follows:

Buildings	40 years
Furniture and equipment	4-19 years
Computer equipment	5 years

Tangible capital assets are reviewed for impairment whenever events or changes in the circumstances indicate that the carrying value may not be recoverable. If the total of the estimated undiscounted future cash flows is less than the carrying value of the asset, an impairment loss is recognized for the excess of the carrying value over the fair value of the asset during the year the impairment occurs.

(c) REVENUE RECOGNITION

The organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

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.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) REVENUE RECOGNITION, continued

Contributions relating to tangible capital assets are credited to deferred capital contributions and are recognized as revenue on the same basis as amortization on the related tangible asset is charged against operations.

Unrestricted investment income is recognized as revenue when earned.

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

(d) CONTRIBUTED MATERIALS AND SERVICES

Contributions of materials are recognized in the financial statements at fair value at the date of contribution, but only when a fair value can be reasonably estimated, when the materials are used in the normal course of operations, and when the materials would otherwise have been purchased.

A significant number of volunteers contribute their time to the organization each year. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

(e) PENSION PLAN

Chatham Kent Hospice Inc. is an employer member of the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. Chatham Kent Hospice Inc. has adopted defined contribution plan accounting principles for the plan as sufficient information is not available to apply defined benefit plan accounting principles. Chatham Kent Hospice Inc. records as pension expense the current service costs, amortization of past service costs and interest costs related to future employer contributions to the plan for past employee service.

(f) FINANCIAL ASSETS AND LIABILITIES

Financial instruments are financial assets or liabilities of the organization where, in general, the organization has the right to receive cash or another financial asset from another party or the organization has the obligation to pay another party cash or other financial assets.

The organization's financial assets consist of cash and accounts receivable. The organization's financial liabilities consist of accounts payable and accrued liabilities.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) FINANCIAL ASSETS AND LIABILITIES, continued

The organization initially measures these financial instruments at fair value except for certain non-arm's length transactions that are measured at the exchange amount.

The organization initially measures its financial assets and liabilities originated or exchanged in arm's length transactions at fair value. Financial assets and liabilities originated or exchanged in related party transactions, except for those that involve parties whose sole relationship with the organization is in the capacity of management, are initially measured at cost.

The cost of a financial instrument in a related party transaction depends on whether the instrument has repayment terms. If repayment terms exist, the cost is determined using its undiscounted cash flows, excluding interest payments, less any impairment losses previously recognized by the transferor. Otherwise, the cost is determined using the consideration transferred or received by the organization in the transaction.

The organization's financial instruments are subsequently measured at amortized cost and are evaluated for impairment at each statement of financial position date with the write down recorded in excess (deficiency) of revenues over expenditures. Impairment reversals may occur and the asset can be written up to its original cost.

(g) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions, such as the allowance for doubtful accounts, useful life of tangible capital assets and amortization, certain accruals and deferred revenues that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenditures during the year. Actual results could differ from management's best estimates as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

3. ACCOUNTS RECEIVABLE

	<u>2023</u>	<u>2022</u>
Trade accounts receivable (note 9)	\$ 18,167	\$ 20,027
Government funding receivable	-	3,755
HST receivable	<u>36,218</u>	<u>36,081</u>
	<u>\$ 54,385</u>	<u>\$ 59,863</u>

4. TANGIBLE CAPITAL ASSETS

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net</u>	<u>Net</u>
Buildings	\$ 3,995,457	\$ 701,155	\$ 3,294,302	\$ 3,394,188
Furniture and equipment	954,577	346,701	607,876	452,132
Computer equipment	<u>40,028</u>	<u>14,159</u>	<u>25,869</u>	<u>15,455</u>
	<u>\$ 4,990,062</u>	<u>\$ 1,062,015</u>	<u>\$ 3,928,047</u>	<u>\$ 3,861,775</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2023</u>	<u>2022</u>
Trade accounts payable (note 9)	\$ 13,990	\$ 16,245
Accrued liabilities	31,488	35,248
Government remittances payable	<u>7,264</u>	<u>7,807</u>
	<u>\$ 52,742</u>	<u>\$ 59,300</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources that are related to expenditures for subsequent periods. At year end, the deferred contribution balance relates to government funding received prior to year end to be used for operations in the 2024 fiscal year. As the expenses related to these operations are incurred, the balance of the deferred contributions account will be reduced.

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 60,811	\$ 130,904
Amount received during the year	101,000	136,636
Amount recognized in revenue during the year	<u>(74,311)</u>	<u>(206,729)</u>
Closing balance	<u>\$ 87,500</u>	<u>\$ 60,811</u>

7. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions related to tangible capital assets represent the unamortized amount of funding received from donors and the Ontario Trillium Foundation for the construction of the Hospice and the purchase of furnishings and equipment. Contributions relating to tangible capital assets are credited to deferred capital contributions and are recognized as revenue on the same basis as amortization on the related tangible asset is charged against operations.

	<u>2023</u>	<u>2022</u>
Opening balance	\$ 3,834,187	\$ 3,969,771
Amount received during the year	3,749	10,591
Amount recognized in revenue during the year	<u>(146,550)</u>	<u>(146,175)</u>
Closing balance	<u>\$ 3,691,386</u>	<u>\$ 3,834,187</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

8. PENSION

Healthcare of Ontario Pension Plan (HOOPP) provides pension services to more than 439,630, (2022 - 419,627) members of Ontario's healthcare community. Each year, an independent actuary determines the status of HOOPP ("the plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The results of the most recent actuarial valuation as at December 31, 2022 disclosed an actuarial surplus of \$16,129 million, (2022 - \$17,567 million). The results of this valuation disclosed total actuarial liabilities of \$92,721 million, (2022 - \$85,902 million) in respect of benefits accrued for service, with actuarial assets at the same date of \$103,674 million, (2022 - \$114,414 million). As HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of the members and their employees. Chatham Kent Hospice Inc. does not recognize any share of the HOOPP surplus as their portion of this surplus is not readily determinable. Contributions made by the organization to HOOPP during the year amounted to \$32,118, (2022 - \$30,281).

9. RELATED PARTY TRANSACTIONS

The organization is related to the Chatham-Kent Hospice Foundation as the Chatham-Kent Hospice Foundation is responsible for all fundraising and donation activities carried out on Chatham Kent Hospice Inc.'s behalf.

The organization is related to St. Andrew's Residence, Chatham by way of shared services.

Included in accounts receivable at year end is \$15,992, (2022 - \$17,852) due from related parties. Included in accounts payable at year end is \$2,335, (2022 - \$2,667) due to related parties.

During the year, the organization received \$1,011,250, (2022 - \$1,000,000) from the Chatham-Kent Hospice Foundation to assist with the organization's operations. Of this funding, \$3,750, (2022 - \$9,127) was deferred during the year as the funds were used to purchase tangible capital assets. This funding will be amortized into revenue on the same basis that amortization expense is charged against the associated tangible capital assets.

During the year, the organization paid \$nil, (2022 - \$697,058) to the Chatham-Kent Hospice Foundation of surplus funds that were subsequently reinvested in the Foundation's sustainability fund.

In the year, the organization received \$51,617, (2022 - \$47,054) from related parties for reimbursement of expenses paid on related parties' behalf.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

9. RELATED PARTY TRANSACTIONS, continued

During the year, the organization paid \$343,173, (2022 - \$344,407) to related parties for reimbursement of expenses paid on the organization's behalf and for shared services.

Management is of the opinion that related party transactions are performed at fair value. Consequently, all related party transactions are measured at the exchange amount.

10. CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 5,478	\$ (22,282)
Prepaid expenses	(1,454)	(5,577)
Accounts payable and accrued liabilities	(6,558)	4,203
Deferred contributions	<u>26,689</u>	<u>(70,093)</u>
	<u>\$ 24,155</u>	<u>\$ (93,749)</u>

11. COMMITMENTS

The organization leases land from St. Andrew's Residence, Chatham, a related party, in a lease expiring December 31, 2035. The organization has the perpetual right to renew the lease for successive five year terms upon the end of the lease term. Future minimum lease payments for the next five years are as follows:

2024	\$ 1
2025	1
2026	1
2027	1
2028	<u>1</u>
	<u>\$ 5</u>

The organization is also committed under several operating lease agreements for certain office equipment. These leases expire in March 2026. The future minimum lease payments required over the next three years are as follows:

2024	\$ 3,534
2025	3,534
2026	<u>3,534</u>
	<u>\$ 10,602</u>

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2023

12. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an organization assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments. In management's opinion, there have been no changes to the organization's risks during the year.

(a) MARKET RISK

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether the factors are specific to the instrument or all instruments traded in the market. These risks are generally outside the control of the organization. In management's opinion, the organization is not exposed to significant market risk.

(b) CREDIT RISK

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The organization is exposed to credit risk in the event of non-payment by customers for their accounts receivable. The organization reduces its exposure to credit risk by creating an allowance for bad debts when applicable. In the opinion of management the credit risk exposure to the organization is low and is not material.

(c) CONCENTRATION RISK

Concentration risk is the risk that a party has more than ten percent of the total accounts receivable balance and thus there is a higher risk to the organization in the event of a default by one of these parties. Concentrations of credit risk relates to groups of counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. At March 31, 2023, receivables from 1 party, (2022 - 1 party) comprised approximately 29%, (2022 - 30%) of the total outstanding receivables. The organization reduces concentration risk by regularly assessing the credit risk associated with these accounts and closely monitoring any overdue balances. In the opinion of management, the concentration risk exposure to the organization is low and is not material.

(d) LIQUIDITY RISK

Liquidity risk is the risk that the organization cannot repay its obligations when they become due to its creditors. The organization reduces its exposure to liquidity risk by ensuring that it documents when authorized payments become due and prepares budgets and cash forecasts to ensure sufficient funds are available to fulfill the organization's obligations. In the opinion of management, the liquidity risk exposure to the organization is low and is not material.

CHATHAM KENT HOSPICE INC.



SCHEDULE TO THE FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2023

SCHEDULE OF EXPENDITURES

Schedule 1

	2023	2022
Advertising and promotion	\$ 14,027	\$ 27,546
Amortization	178,299	152,323
Bank charges and interest	6,535	6,682
Consulting	83,326	17,242
Dietary supplies	42,160	26,820
Health and wellness	16,642	8,834
Insurance	17,101	16,159
Laundry and linen	10,795	10,378
Medical supplies and services	37,317	82,543
Memberships and association fees	8,232	8,796
Office supplies	12,695	10,711
Overhead and administration	-	8,995
Professional fees	9,370	27,844
Repairs and maintenance	28,437	13,922
Salaries and wages (note 8)	1,820,275	1,620,689
Service contracts	57,180	39,720
Technology	36,600	27,604
Telephone	11,679	9,309
Training and development	5,572	2,009
Travel	3,070	683
Utilities	40,901	31,366
Volunteer	12,134	8,978
	<u>\$ 2,452,347</u>	<u>\$ 2,159,153</u>