

Chesley Hospital Foundation
Financial Statements
For the year ended March 31, 2023

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Independent Auditor's Report

To the Members of
Chesley Hospital Foundation

We have audited the accompanying financial statements of Chesley Hospital Foundation (the Entity), which comprise the statement of financial position as at March 31, 2023, the statements of changes in net assets, operations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising activities, donations, and cash receipts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2023 and 2022, current assets as at March 31, 2023 and 2022, and net assets as at April 1 and March 31 for both the 2022 and 2021 years. Our audit opinion on the financial statements for the year ended March 31, 2022 was modified accordingly because of the possible effects of this limitation in scope.

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 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 qualified audit opinion.

Responsibilities of Management and Those Charged with Governance 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.

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 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 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.

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.

Chartered Professional Accountants, Licensed Public Accountants

Walkerton, Ontario
August 30, 2023

Chesley Hospital Foundation
Statement of Financial Position

March 31 2023 2022

Assets

Current

Cash	\$ 615,782	\$ 626,215
Accrued interest receivable	1,405	182
HST receivable	1,266	3,322
Prepaid expenses	-	750
Current portion of investments (Note 2)	202,234	100,701

820,687 731,170

Investments (Note 2) 868,216 884,637

\$ 1,688,903 \$ 1,615,807

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities (Note 3)	\$ 11,320	\$ 9,365
Commitment to South Bruce Grey Health Centre	235,868	165,008

247,188 174,373

Contingency (Note 4)

Net Assets 1,441,715 1,441,434

\$ 1,688,903 \$ 1,615,807

On behalf of the Board:

_____ Director

_____ Director

Chesley Hospital Foundation
Statement of Changes in Net Assets

For the year ended March 31	2023		2022
	Unrestricted	Total	Total
Balance, beginning of year	\$ 1,441,434	\$ 1,441,434	\$ 1,233,298
Excess of revenue over expenses	281	281	208,136
Balance, end of year	\$ 1,441,715	\$ 1,441,715	\$ 1,441,434

The accompanying notes are an integral part of these financial statements.

Chesley Hospital Foundation Statement of Operations

For the year ended March 31	2023	2022
Revenues		
Chesley medical clinic donations	\$ 30,000	\$ -
Estate donations	110,500	182,398
Fundraising revenue	23,608	52,440
Interest income	39,750	20,749
Memorial and other donations	199,456	207,456
	403,314	463,043
Expenses		
Administrative fees	790	10,163
Advertising expenses	5,579	2,921
Bank charges	61	7
Computer equipment and software	1,448	11,014
Fundraising expenses	940	1,783
Investment management fees	9,703	5,243
Office and postage	2,360	4,822
Professional fees	7,067	8,384
Travel and mileage	9,294	2,294
Wages and benefits - coordinator	35,835	13,930
Wages and benefits - physician recruitment	19,255	5,953
	92,332	66,514
Excess of revenues over expenses before donations and fair market value adjustment	310,982	396,529
Net increase (decrease) in fair market value of investments	(34,761)	(12,470)
Excess of revenues over expenses before donations	276,221	384,059
Donations paid		
Municipality of Arran-Elderslie - Chesley medical clinic	30,000	10,000
South Bruce Grey Health Centre - Chesley site	245,940	165,923
	275,940	175,923
Excess of revenues over expenses for the year	\$ 281	\$ 208,136

The accompanying notes are an integral part of these financial statements.

Chesley Hospital Foundation Statement of Cash Flows

For the year ended March 31	2023	2022
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	\$ 281	\$ 208,136
Items not involving cash		
Loss on fair market value of investments	34,761	12,470
	35,042	220,606
Changes in non-cash working capital balances		
Accrued interest receivable	(1,223)	(190)
HST receivable	2,056	210
Prepaid expenses	750	-
Accounts payable and accrued liabilities	1,955	5,436
Commitment to South Bruce Grey Health Centre	70,860	165,008
	74,398	170,464
	109,440	391,070
Investing activities		
Proceeds on sale and redemption of investments	228,247	227,462
Acquisition and reinvestment of investments	(348,120)	(777,179)
	(119,873)	(549,717)
Change in cash during the year	(10,433)	(158,647)
Cash, beginning of year	626,215	784,862
Cash, end of year	\$ 615,782	\$ 626,215

The accompanying notes are an integral part of these financial statements.

Chesley Hospital Foundation Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies

Nature of Business

The Foundation is incorporated under the Ontario Corporations Act as a corporation without share capital. The purpose of the Foundation is to receive and maintain funds and to advance funds for the aid and benefit of the South Bruce Grey Health Centre - Chesley. The Foundation is a registered charity, is exempt from income tax under the Income Tax Act and may issue income tax receipts to donors.

Basis of Accounting

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

Accrual Accounting

The financial statements have been prepared using the accrual method of accounting. Under this method, expenses are recorded in the period in which they are incurred and interest income is recorded when earned.

Fund Accounting

The Foundation follows the deferral method of accounting for contributions. Unrestricted contributions are reported in the general fund.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, cash, fixed income, equities traded in an active market, and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Capital Expenditures

The historical cost and accumulated amortization of capital assets are not recorded for Foundation purposes. Capital assets are recorded as an expenditure on the statement of operations in the year of acquisition.

Chesley Hospital Foundation Notes to Financial Statements

March 31, 2021

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

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. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributed Materials and Services

Contributed materials and services 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.

Volunteers contribute their time to assist the Foundation in carrying out its activities. Due to the difficulty of determining the fair value, contributed services are not recognized in these financial statements.

Allocation of Expenses

Chesley Hospital Foundation engages in aiding the South Bruce Grey Health Centre - Chesley by receiving and maintaining funds for future benefit. The costs of each program include the expenses that are directly related to conducting the program. The organization also incurs a number of general support expenses that are common to the administration of the organization and each of its programs.

The Foundation allocates some of its general support expenses by identifying the appropriate basis of allocating each component expense, and applies that basis consistently each year. Other general management expenses are not allocated.

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 amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the collectability of accounts receivable. Actual results could differ from management's best estimates as additional information becomes available in the future.

Chesley Hospital Foundation Notes to Financial Statements

March 31, 2023

2. Investments

	2023		2022	
	Cost	Market	Cost	Market
Northern Credit Union shares	\$ 25	\$ 25	\$ 25	\$ 25
GIC - Equitable Bank	-	-	100,000	100,701
GIC - Northern Credit Union, 2.4% compounded annually, due May 2025	229,268	233,476	225,436	228,785
GIC - Equitable Bank, 5.290% due January 2024	100,000	101,116	-	-
GIC - Home Trust Company, 5.300% due January 2024	100,000	101,118	-	-
RBC Canadian fixed income	269,848	245,186	339,648	313,918
RBC Canadian equities	340,584	324,768	265,521	281,954
RBC U.S. fixed income	-	-	3,611	3,220
RBC U.S. equities	71,514	64,761	59,516	56,735
	<u>1,111,239</u>	<u>1,070,450</u>	<u>993,757</u>	<u>985,338</u>
Less current portion	<u>(200,000)</u>	<u>(202,234)</u>	<u>(100,000)</u>	<u>(100,701)</u>
	<u>\$ 911,239</u>	<u>\$ 868,216</u>	<u>\$ 893,757</u>	<u>\$ 884,637</u>

Included in cash on the statement of financial position is \$2,355 (2022 - \$1,089) Canadian that is denominated in U.S. dollars.

Chesley Hospital Foundation Notes to Financial Statements

March 31, 2023

3. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$3,726 (2022 - \$585).

4. Contingent Contribution

On May 21, 2013, the Chesley Hospital Foundation was named in the will of an individual as the recipient of a \$1,000,000 unrestricted contribution. This receipt is contingent upon the Foundation, or its successor, being in existence for the benefit of a publicly funded health care facility within the Town of Chesley at the 20 year anniversary of this date and at all times throughout this period. The \$1,000,000 principal amount is to be held by the estate throughout this 20 year time period. The contribution has not been recognized in these financial statements as it is not reasonably assured that the contribution will be collected as per the existing stipulations. The Foundation is also to receive a contribution in an amount equal to the accrued income earned on the \$1,000,000 over the 20 year period. The total received during 2023 amounted to \$24,500 (2022 - \$31,000) and is included in estate donations revenue. The market value of the \$1,000,000 invested on March 31, 2023 was \$962,551 (2022 - \$1,022,359).

Chesley Hospital Foundation was also named in the same will to receive one-third of the income on the residual proceeds of the estate in perpetuity. The total residual funds are held in a trust fund named the "Howard and Bruce Krug Memorial Trust". This receipt is contingent upon the Foundation, or its successor, being in existence for the benefit of a publicly funded health care facility within the Town of Chesley. The total received during 2023 amounted to \$60,000 (2022 - \$88,000) and is included in estate donations revenue.

Chesley Hospital Foundation Notes to Financial Statements

March 31, 2023

5. Financial Instrument Risks

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposure and concentrations as at March 31, 2023.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

At March 31, 2023, a 1% fluctuation in interest rates, with all other variables held constant, would have an estimated impact on the fair value of the guaranteed investment certificates of \$4,293 (2022 - \$3,254).

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is exposed to credit risk arising from its accounts receivable. The organization's receivables are comprised of accrued interest receivable and HST receivable. The organization is also exposed to credit risk as all of its cash is held with the same financial institution.

Liquidity Risk

Liquidity risk is the risk that the company encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the company will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities.

Market Risk

The Foundation is exposed to market risk arising from its investments in fixed income and equities.
