

Financial Statements of

**COMMUNITY CARE DURHAM**

March 31, 2023

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D C Tinkham FCPA FCA CMC LPA  
P J Brocklesby CPA CA LPA  
M Y Tkachenko CPA CA  
M W G Rooke CPA CA LPA  
A C Callas CPA CA LPA  
G P Kroeplin CPA  
C R Braun CPA CA  
H S Grewal CPA

300 - 2842 Bloor Street West  
Toronto Ontario M8X 1B1  
Canada

TEL 1 416 233 2139  
TOLL FREE 1 877 283 3305  
FAX 1 416 233 1788

**TINKHAMCPA.COM**

## INDEPENDENT AUDITOR'S REPORT

To the Members of  
**COMMUNITY CARE DURHAM**

### Qualified Opinion

We have audited the financial statements of Community Care Durham ("the Organization") which comprise the statement of financial position as at March 31, 2023, and the statements of operations, 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, 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 Organization 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 Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations and fundraising activities, 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to donations and fundraising revenues, excess of revenue over expenses (expenses over revenue), 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 2023 and 2022 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 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 qualified opinion.

### Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report.

As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate evidence about the completeness of revenues from donations and fundraising activities. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

## **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 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.
- 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 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.

TORONTO, Ontario  
June 13, 2023

Licensed Public Accountants

**COMMUNITY CARE DURHAM**

## Statement of Financial Position

|                |             |      |
|----------------|-------------|------|
| As at March 31 | <b>2023</b> | 2022 |
|----------------|-------------|------|

**Assets**

## Current

|                     |              |              |
|---------------------|--------------|--------------|
| Cash                | \$ 1,140,076 | \$ 1,061,255 |
| Accounts receivable | 423,223      | 439,910      |
| Prepaid expenses    | 225,891      | 240,888      |

|                         |           |           |
|-------------------------|-----------|-----------|
|                         | 1,789,190 | 1,742,053 |
| Investments (note 3)    | 2,032,688 | 2,064,080 |
| Capital assets (note 4) | 6,034,341 | 6,183,292 |

|  |              |              |
|--|--------------|--------------|
|  | \$ 9,856,219 | \$ 9,989,425 |
|--|--------------|--------------|

**Liabilities and Net Assets**

## Current

|   |            |            |
|---|------------|------------|
| Accounts payable and accrued liabilities (note 5) | \$ 854,884 | \$ 925,107 |
| Due to Ministry of Health (note 8)                | 906,947    | 603,126    |
| Deferred contributions (note 6(a))                | 11,737     | 79,553     |
| Current portion of long-term debt (note 7)        | 111,662    | 107,746    |

|  |           |           |
|--|-----------|-----------|
|  | 1,885,230 | 1,715,532 |
| Deferred capital contributions (note 6(b)) | 515,165   | 573,613   |
| Long-term debt (note 7)                    | 3,316,962 | 3,452,180 |

|  |           |           |
|--|-----------|-----------|
|  | 5,717,357 | 5,741,325 |
|--|-----------|-----------|

## Net assets

|   |           |           |
|---|-----------|-----------|
| Invested in capital assets (note 10(a)) | 2,090,552 | 2,049,753 |
| Internally restricted (note 10(b))      | 1,988,754 | 1,585,629 |
| Externally restricted (note 10(c))      | 56,370    | 56,370    |
| Unrestricted                            | 3,186     | 556,348   |

|  |           |           |
|--|-----------|-----------|
|  | 4,138,862 | 4,248,100 |
|--|-----------|-----------|

|  |              |              |
|--|--------------|--------------|
|  | \$ 9,856,219 | \$ 9,989,425 |
|--|--------------|--------------|

Contingent liabilities (note 8)

Commitments (note 9)

See accompanying notes to the financial statements.

On behalf of the Board:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

**COMMUNITY CARE DURHAM****Statement of Operations**

| Year ended March 31   | Association    | Operational       | 2023<br>Total     | 2022<br>Total     |
|---|----------------|-------------------|-------------------|-------------------|
| <b>Revenue</b>  |                |                   |                   |                   |
| Ministry of Health (notes 8 and 13)                                     | \$ -           | \$ 12,292,381     | \$ 12,292,381     | \$ 12,178,099     |
| Client fees   | 56,800         | 1,828,029         | 1,884,829         | 1,996,259         |
| Other income (note 11)  | 79,259         | 287,741           | 367,000           | 564,995           |
| Government grants   | 59,703         | 224,067           | 283,770           | 525,072           |
| Donations   | 219,832        | 33,113            | 252,945           | 259,313           |
| Amortization of deferred capital contributions (note 6(b))              | 26,316         | 152,735           | 179,051           | 145,180           |
|   | <b>441,910</b> | <b>14,818,066</b> | <b>15,259,976</b> | <b>15,668,918</b> |
| <b>Expenses</b>   |                |                   |                   |                   |
| Salaries and benefits   | 294,855        | 10,717,364        | 11,012,219        | 10,995,661        |
| Program and support   | 36,744         | 2,176,260         | 2,213,004         | 2,464,143         |
| Occupancy   | -              | 762,337           | 762,337           | 897,204           |
| Computer and technical  | 3,798          | 342,532           | 346,330           | 199,286           |
| Amortization  | 141,598        | 134,520           | 276,118           | 216,726           |
| Professional fees   | 15,591         | 184,909           | 200,500           | 181,418           |
| Other operating costs   | 6,821          | 161,021           | 167,842           | 150,438           |
| Office  | 12,528         | 150,759           | 163,287           | 135,277           |
| Telephone and communication   | 1,214          | 124,492           | 125,706           | 163,708           |
| Interest on long-term debt  | -              | 101,871           | 101,871           | 19,504            |
|   | <b>513,149</b> | <b>14,856,065</b> | <b>15,369,214</b> | <b>15,423,365</b> |
| Excess of revenue over expenses<br>(expenses over revenue) for the year | \$ (71,239)    | \$ (37,999)       | \$ (109,238)      | \$ 245,553        |

**COMMUNITY CARE DURHAM**  
**Statement of Changes in Net Assets**

| Year ended March 31   | Invested in<br>Capital assets | Internally<br>Restricted | Externally<br>Restricted | Unrestricted | Total<br>2023 | Total<br>2022 |
|---|-------------------------------|--------------------------|--------------------------|--------------|---------------|---------------|
|   | (note 10(a))                  | (note 10(b))             | (note 10(c))             |              |               |               |
| Net assets, beginning of year   | \$ 2,049,753                  | \$ 1,585,629             | \$ 56,370                | \$ 556,348   | \$ 4,248,100  | \$ 4,002,547  |
| Excess of revenue over expenses<br>(expenses over revenue) for the year | (97,067)                      | -                        | -                        | (12,171)     | (109,238)     | 245,553       |
| Purchase of capital assets  | 127,167                       | -                        | -                        | (127,167)    | -             | -             |
| Restricted contributions  | (120,603)                     | -                        | -                        | 120,603      | -             | -             |
| Repayment of long-term debt   | 131,302                       | -                        | -                        | (131,302)    | -             | -             |
| Transfers (note 10(b))  | -                             | 403,125                  | -                        | (403,125)    | -             | -             |
| Net changes for the year  | 40,799                        | 403,125                  | -                        | (553,162)    | (109,238)     | 245,553       |
| Net assets, end of year   | \$ 2,090,552                  | \$ 1,988,754             | \$ 56,370                | \$ 3,186     | \$ 4,138,862  | \$ 4,248,100  |

See accompanying notes to the financial statements.

**COMMUNITY CARE DURHAM****Statement of Cash Flows**

| Year ended March 31  | 2023         | 2022         |
|--|--------------|--------------|
| Cash provided (used) by operations:                                  |              |              |
| Excess of revenue over expenses (expenses over revenue) for the year | \$ (109,238) | \$ 245,553   |
| Items not affecting cash:  |              |              |
| Amortization of capital assets                                       | 276,118      | 216,726      |
| Amortization of deferred capital contributions                       | (179,051)    | (145,180)    |
| Gain on disposal of capital assets                                   | (12,430)     | (60,821)     |
|  | (24,601)     | 256,278      |
| Changes in non-cash working capital items:                           |              |              |
| Accounts receivable  | 16,687       | 216,567      |
| Prepaid expenses   | 14,997       | 11,620       |
| Accounts payable and accrued liabilities                             | (70,223)     | (231,559)    |
| Due to Ministry of Health  | 303,821      | 319,376      |
| Deferred contributions   | (67,816)     | (384,495)    |
| Accrued interest payable on long-term debt                           | 3,051        | 19,505       |
|  | 200,517      | (48,986)     |
| Cash provided by operating activities                                | 175,916      | 207,292      |
| Cash provided (used) by investing activities:                        |              |              |
| Net redemptions of investments                                       | 31,392       | 1,693,944    |
| Purchase of capital assets   | (127,167)    | (2,608,836)  |
| Proceeds from disposal of capital assets                             | 12,430       | 60,821       |
| Cash used by investing activities                                    | (83,345)     | (854,071)    |
| Cash provided (used) by financing activities:                        |              |              |
| Proceeds from long-term debt   | -            | 1,167,037    |
| Repayment of long-term debt  | (134,353)    | (2,087)      |
| Capital contributions received (adjusted)                            | 120,603      | (23,257)     |
| Cash provided (used) by financing activities                         | (13,750)     | 1,141,693    |
| Increase in cash   | 78,821       | 494,914      |
| Cash, beginning of year  | 1,061,255    | 566,341      |
| Cash, end of year  | \$ 1,140,076 | \$ 1,061,255 |

# COMMUNITY CARE DURHAM

## Notes to Financial Statements

March 31, 2023

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### 1 Organization

Community Care Durham ("the Organization") is a registered charity under the Income Tax Act (Canada) and is exempt from income taxes. The Organization's mission is to provide community-based support services to adults with needs related to aging, physical and/or mental health. The Organization was incorporated without share capital on February 24, 1983.

### 2 Significant accounting policies

These financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

#### (a) Basis of presentation

The Operational Fund reports revenues and expenses that are designated for specific client programs and purposes, mostly funded by Ontario Health and client fees.

The Association Fund reports revenues and expenses that are not specifically designated for specific uses, mostly consisting of donations, fundraising and general grants for the benefit of the Organization.

#### (b) Capital assets

The Organization records capital assets at cost. The cost of a capital asset comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

When conditions indicate a capital asset no longer contributes to the Organization's ability to provide services or that the value of future economic benefits or service potential associated with the capital asset is less than its net carrying amount, its net carrying amount is written down to its fair value or replacement cost. As at March 31, 2023, no such impairment exists.

Capital assets are amortized over their estimated useful lives using the following rates and methods:

|                         |                               |
|-------------------------|-------------------------------|
| Buildings               | 10 to 40 years straight line  |
| Vehicles                | 5 years straight line         |
| Furniture and equipment | 5 years straight line         |
| Leasehold improvements  | Straight line over lease term |
| Parking lots            | 8 years straight line         |

The above rates are reviewed annually to ensure they are appropriate. Any changes are adjusted for on a prospective basis. The Organization revised the method of amortizing buildings effective April 1, 2022 from 5% declining balance to 10 to 40 years straight line. This change in accounting estimate was accounted for prospectively, effective April 1, 2022.

#### (c) Revenue recognition

The Organization follows the deferral method of accounting for contributions, which includes government and other grants, donations and fundraising. 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. Externally restricted donations are recognized as revenue in the year in which the related expenses are recognized. Grants and donations received and restricted for the purchase of capital assets are deferred and amortized into income at the same rate as the associated capital asset is amortized.

Client fees are recognized as revenue when the services are provided.

Investment income is recognized on an accrual basis.

Fundraising is recognized in revenue when the event is held.



## COMMUNITY CARE DURHAM

### Notes to Financial Statements

March 31, 2023

## 2 Significant accounting policies (continued)

### (d) Contributed goods and services

The value of goods and services is recorded as revenue and an expense in the financial statements when the fair value can be reasonably estimated and when the goods and services would otherwise be purchased if not donated.

Volunteers provide invaluable donated services to the Organization. Since these services are not normally purchased and because of the difficulty of determining their fair value, donated services are not recognized in the financial statements.

### (e) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument. The Organization subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in investment income in the period incurred.

At the end of each reporting period, the Organization assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Organization. When there is an indication of impairment, the Organization determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset. There are no indications of impairment as at March 31, 2023.

### (f) Management estimates

The preparation of financial statements in conformity 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the current period. Significant estimates include impairment of accounts receivable, useful lives of capital assets, certain accrued liabilities and settlements with the Ministry and other funders. Actual results could differ from those estimates. All estimates are reviewed periodically and adjustments are made to the statement of operations as appropriate in the year they become known.

## 3 Investments

| As at March 31                     | 2023                | 2022                |
|------------------------------------|---------------------|---------------------|
| Measured at amortized cost:        |                     |                     |
| Cash                               | \$ 5,388            | \$ 22,878           |
| Guaranteed investment certificates | 1,208,907           | 1,214,204           |
| Measured at fair value:            |                     |                     |
| Canadian fixed income              | 344,340             | 511,764             |
| Foreign fixed income               | 167,680             | 182,520             |
| Canadian equities                  | 71,177              | 58,074              |
| Foreign equities                   | 235,196             | 74,640              |
|                                    | <b>\$ 2,032,688</b> | <b>\$ 2,064,080</b> |

Guaranteed investment certificates are held at one financial institution. The certificates have maturity dates ending on April 3, 2023 (2022 - April 22 to April 26, 2022). The certificates bear interest at a rate of 4.51% (2022 - 0.55% to 0.62%). The investments are measured at cost plus accrued interest.

**COMMUNITY CARE DURHAM**

## Notes to Financial Statements

March 31, 2023

**4 Capital assets**

| As at March 31            | <b>2023</b>         |                                     | <b>2022</b>         |                                     |
|---------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|
|                           | <b>Cost</b>         | <b>Accumulated<br/>Amortization</b> | <b>Cost</b>         | <b>Accumulated<br/>Amortization</b> |
| Land                      | \$ 2,050,000        | \$ -                                | \$ 2,050,000        | \$ -                                |
| Buildings                 | 3,674,319           | 272,385                             | 3,670,717           | 180,526                             |
| Vehicles                  | 742,018             | 534,342                             | 710,726             | 498,297                             |
| Furnishings and equipment | 685,334             | 327,238                             | 594,545             | 233,581                             |
| Leasehold improvements    | 193,350             | 193,350                             | 246,159             | 198,631                             |
| Parking lots              | 44,360              | 27,725                              | 44,360              | 22,180                              |
|                           | <b>\$ 7,389,381</b> | <b>\$ 1,355,040</b>                 | <b>\$ 7,316,507</b> | <b>\$ 1,133,215</b>                 |
| Net book value            |                     | <b>\$ 6,034,341</b>                 |                     | <b>\$ 6,183,292</b>                 |

**5 Accounts payable and accrued liabilities**

Included in accounts payable and accrued liabilities is \$17,330 (2022 - \$140,847) of government remittances payable.

**6 Deferred contributions**

| As at March 31  | <b>2023</b>       |  | <b>2022</b>       |  |
|---|-------------------|--|-------------------|--|
| (a) Operating grants                                  |                   |  |                   |  |
| Balance, beginning of year                            | \$ 79,553         |  | \$ 464,048        |  |
| Add: Restricted contributions received for operations | 466,505           |  | 79,553            |  |
| Less: Amount transferred to revenue                   | (534,321)         |  | (444,047)         |  |
| Less: Amount transferred to due to Ministry of Health | -                 |  | (20,001)          |  |
|   | <b>\$ 11,737</b>  |  | <b>\$ 79,553</b>  |  |
| (b) Grants to purchase of capital assets              |                   |  |                   |  |
| Balance, beginning of year                            | \$ 573,613        |  | \$ 742,050        |  |
| Add: Contributions received in year                   | 120,603           |  | 1,870             |  |
| Less: Adjustment to prior year contribution           | -                 |  | (25,127)          |  |
| Less: Amortized to revenue                            | (179,051)         |  | (145,180)         |  |
| Balance, end of year                                  | <b>\$ 515,165</b> |  | <b>\$ 573,613</b> |  |

## COMMUNITY CARE DURHAM

### Notes to Financial Statements

March 31, 2023

#### 7 Long-term debt

| As at March 31  | 2023                | 2022         |
|---|---------------------|--------------|
| Mortgage loan, due April 1, 2025, repayable in monthly installments of \$11,337, includes interest at 2.61% | \$ 2,289,633        | \$ 2,388,132 |
| Term loan, due Jan 14, 2025, repayable in monthly installments of \$6,205, includes interest at 3.60%       | 1,138,991           | 1,171,794    |
|   | <b>3,428,624</b>    | 3,559,926    |
| Less: current portion   | <b>111,662</b>      | 107,746      |
|   | <b>\$ 3,316,962</b> | \$ 3,452,180 |

Security against these borrowings is provided by a charge on land and buildings with a net carrying amount of \$5,023,891 as well as a general security agreement covering all assets of the Organization. These facilities are part of a credit facility agreement that contains certain restrictive covenants. As at March 31, 2023 the Organization is in compliance with all such covenants.

Repayments of long-term debt for each of the next three years is as follows:

|                |                     |
|----------------|---------------------|
| 2024           | \$ 210,499          |
| 2025           | 1,273,761           |
| 2026           | 2,132,058           |
|                | <u>3,616,318</u>    |
| Less: Interest | <u>187,694</u>      |
|                | <u>\$ 3,428,624</u> |

#### 8 Contingent liabilities

##### (a) Ministry of Health funding

As described in note 13, the Organization receives funding from the Ministry. The amount of the funding provided to the Organization is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the period of April 1, 2019 to March 31, 2021 has been subject to initial review. Funding for the period April 1, 2021 to March 31, 2023 has not been subject to this review process. Any adjustments required as a result of this review will be accounted for in the year of settlement.

##### (b) Lawsuit

The Organization has been named as a defendant in a lawsuit arising in the ordinary course of operations, the outcome and estimate of loss, if any, are not determinable. No provision for any loss has been recorded in these financial statements.

#### 9 Commitments

The Organization is committed to annual amounts under lease agreements with respect to several premises. Each location is under a separate lease. The leases expire at various times up to June 30, 2028 with varying terms for renewal. Future minimum lease payments are estimated as follows:

|            |            |
|------------|------------|
| 2024       | \$ 381,268 |
| 2025       | 253,856    |
| 2026       | 265,274    |
| 2027       | 239,140    |
| 2028       | 199,269    |
| Thereafter | 49,817     |

**COMMUNITY CARE DURHAM**

## Notes to Financial Statements

March 31, 2023

**10 Net assets**

## (a) Invested in capital assets

The composition of net assets invested in capital assets is as follows:

| As at March 31                       | 2023                | 2022                |
|--------------------------------------|---------------------|---------------------|
| Capital assets, net book value       | \$ 6,034,341        | \$ 6,183,292        |
| Less: Deferred capital contributions | (515,165)           | (573,613)           |
| Long-term debt                       | (3,428,624)         | (3,559,926)         |
|                                      | <b>\$ 2,090,552</b> | <b>\$ 2,049,753</b> |

## (b) Internally restricted net assets

The Organization has established an internally restricted fund for the purpose of temporarily restricting monies fundraised and donated in excess of local projections to benefit designated local areas. Ultimately, the funds may be used to benefit all clients of the Organization ("Donation Reserve").

The Organization has also established an internally restricted fund for the purpose of funding future capital asset acquisitions ("Capital Acquisition Reserve").

The restricted funds are included in investments (note 3). The internally restricted funds may only be used on approval of the Board of Directors.

The activity in the internally restricted funds for the year is as follows:

| Year ended March 31                        | Donation Reserve    | Capital Acquisition Reserve | Total 2023          | Total 2022          |
|--|---------------------|-----------------------------|---------------------|---------------------|
| Balance, beginning of year                 | \$ 1,515,629        | \$ 70,000                   | \$ 1,585,629        | \$ 1,680,629        |
| Transfer from (to) unrestricted net assets | 426,851             | (23,726)                    | 403,125             | (95,000)            |
|  | <b>\$ 1,942,480</b> | <b>\$ 46,274</b>            | <b>\$ 1,988,754</b> | <b>\$ 1,585,629</b> |

## (c) Externally restricted net assets

Restricted net assets are comprised of funds which are held under trust arrangements with the Organization. Under terms of the trust, the Organization may use the interest income derived from the monies invested for operating activities.

## COMMUNITY CARE DURHAM

### Notes to Financial Statements

March 31, 2023

#### 11 Other income

| Year ended March 31                                   | 2023       | 2022       |
|---|------------|------------|
| Ontario Community Support Program                     | \$ 187,686 | \$ 198,080 |
| Miscellaneous   | 102,712    | 55,479     |
| United Way operating grant                            | 68,000     | 67,000     |
| Fundraising revenue                                   | 38,018     | 46,248     |
| Investment income                                     | 32,548     | 22,516     |
| PSW Training grants                                   | 12,499     | 102,483    |
| Gain on disposal of capital assets                    | 12,430     | 60,821     |
| Adjustment to prior year funding - Ministry of Health | (86,893)   | -          |
| Carea Community Health                                | -          | 12,368     |
|   | \$ 367,000 | \$ 564,995 |

#### 12 Pension plan

The Organization maintains a defined contribution pension plan that covers all full-time employees and some part-time employees. The plan provides pensions based on the accumulated value of both the Organization's and the employees' contributions. The Organization contributes four percent of employees' gross earnings while the employees' contribution is optional. The employer portion of the pension contribution for the employees of the Organization for the year was \$287,327 (2022 - \$239,499).

#### 13 Economic dependence

The Organization recognized \$12,292,381 (2022 - \$12,178,099) of operating subsidies from the Ministry of Health and \$283,770 (2022 - \$525,072) from other federal and provincial grants, which represents approximately 82% (2022 - 81%) of total revenue.

The Organization has entered into a servicing agreement with the Ministry of Health for the provision of services and programs. The servicing agreement sets out the terms and conditions related to the government funding. The Organization provides Annual Reports to the Ministry reconciling funding to expenditures, which are used to determine whether any amounts must be repaid. Amounts repayable are estimated and accrued in the financial statements. The Ministry may terminate the servicing agreement if it determines that the Organization is in breach of any of its terms and conditions and the breach is not cured within an established time period after written notice of the breach is provided.

#### 14 Financial instruments

The Organization is exposed to various risks through its financial instruments. The following analysis provides a measure of the risk exposures and concentrations.

##### 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 through its cash, accounts receivable and investments.

Cash is held at two Canadian financial institutions. Funds on deposit at one institution exceeds the maximum amount insured.

Accounts receivable are unsecured and include balances due from individuals as well as grants receivable. The Organization has account monitoring procedures in place to minimize the risk of loss on accounts receivable from individuals. Grants receivable are low risk of default.

## COMMUNITY CARE DURHAM

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#### 14 Financial instruments (continued)

##### **Credit risk (continued)**

The Organization adheres to an investment policy that outlines the objectives, constraints and parameters relating to investing activities. The policy prescribes limits on the types and concentrations of investments held. The primary objective of the organization with respect to its investments is to ensure the security of principal amounts invested, provide for a high degree of liquidity, and achieve a satisfactory investment return.

##### **Liquidity risk**

Liquidity risk is the risk that the Organization will not be able to meet a demand for cash or fund its obligations as they come due. The Organization meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations and anticipating investing and financing activities.

##### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk. The Organization is not exposed to currency risk.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is subject to interest rate risk on guaranteed investment certificates and other fixed income investments, and long-term debt.

Fixed interest rate instruments subject the Organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the Organization to changes in related future cash flows. The Organization's long-term debt are fixed rate obligations.

The Organization manages its exposure to interest rate risk related to its fixed interest rate investments by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

##### **Other price risk**

Other price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Organization is exposed to this risk to the extent of the equity investments held.

##### **Changes in risk**

There have been no significant changes in the Organization's risk exposures from the prior year.