

Financial Statements of

**COMPASS COMMUNITY HEALTH**

And Independent Auditors' Report thereon

Year ended March 31, 2022



KPMG LLP  
Commerce Place  
21 King Street West, Suite 700  
Hamilton Ontario L8P 4W7  
Canada  
Telephone (905) 523-8200  
Fax (905) 523-2222

## INDEPENDENT AUDITORS' REPORT

To the Directors of Compass Community Health

### **Opinion**

We have audited the financial statements of Compass Community Health (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes and schedule to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2022, and its results of operations, changes in net assets 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 "Auditors' 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 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.

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.

### ***Auditors' 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 auditors' 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.



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- 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 auditors' 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 auditors' 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.
- 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.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

May 30, 2022

# COMPASS COMMUNITY HEALTH

## Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Current assets:		
Cash	\$ 1,983,050	\$ 2,406,406
Short-term investments (note 3)	442,915	750,223
Accounts receivable (note 4)	1,294,784	1,536,184
Due from Pathways to Education	23,890	-
Prepaid expenses	126,220	110,115
	<u>3,870,859</u>	<u>4,802,928</u>
Long-term investments (note 5)	1,162,252	-
Capital assets, net (note 6)	9,721,587	10,325,319
	<u>\$ 14,754,698</u>	<u>\$ 15,128,247</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 2,563,612	\$ 2,545,482
Due to Ontario Health (note 8)	82,530	117,339
Due to Ministry of Health ("MOH") (note 9)	11,865	3,420
Due to Pathways to Education	-	10,500
Deferred contributions (note 10)	2,017,670	1,788,166
	<u>4,675,677</u>	<u>4,464,907</u>
Deferred capital contributions (note 11)	9,064,999	9,668,731
	<u>13,740,676</u>	<u>14,133,638</u>
Net assets:		
Unrestricted	35,708	35,708
Invested in land (note 6)	584,408	584,408
Invested in capital assets (note 6)	125,009	125,009
Internally restricted operating reserve	268,897	249,484
	<u>1,014,022</u>	<u>994,609</u>
	<u>\$ 14,754,698</u>	<u>\$ 15,128,247</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director

Beth Ellis, Board Treasurer



Director

Michela Juran, Board Chair

# COMPASS COMMUNITY HEALTH

Statement of Operations

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
<b>Revenues:</b>		
Ontario Health:		
Core programs	\$ 5,955,156	\$ 6,044,335
Feet First Steps for Health	1,336,065	1,336,064
Diabetes Education Program	695,060	695,060
Chronic Obstructive Pulmonary Disease	489,584	489,584
One-time Community Investment	225,676	101,929
Exercise and Falls Prevention	20,976	20,976
<b>Ontario Health revenue</b>	<b>8,722,517</b>	<b>8,687,948</b>
Less: funding for deferred capital contributions (note 11)	(68,086)	(208,252)
Less: funding deferred (note 10)	(168,119)	-
	<b>8,486,312</b>	<b>8,479,696</b>
MOH:		
Primary Care Asthma Program	66,761	67,311
Less: funding for deferred capital contributions (note 11)	(2,144)	(3,928)
	<b>64,617</b>	<b>63,383</b>
Pathways to Education	1,520,893	1,562,700
Community Health Centre Partnerships	1,731,297	1,454,884
Amortization of deferred capital contributions (note 11)	703,366	685,769
Funded projects	427,786	152,505
Family Health Team Partnerships	159,014	136,422
Donations and other	36,472	72,342
	<b>4,578,828</b>	<b>4,064,622</b>
Less: funding for deferred capital contributions (note 11)	(29,404)	-
	<b>13,100,353</b>	<b>12,607,701</b>
<b>Expenses:</b>		
Ontario Health:		
Core programs and administrative expenses (note 13)	5,955,144	6,036,476
Feet First Steps for Health	1,336,065	1,268,986
Diabetes Education Program	695,049	695,048
Chronic Obstructive Pulmonary Disease	477,934	450,165
Exercise and Falls Prevention	20,976	20,969
	<b>8,485,168</b>	<b>8,471,644</b>
MOH:		
Primary Care Asthma Program	56,172	59,969
Pathways to Education	1,520,883	1,562,700
Community Health Centre Partnerships	1,731,297	1,454,884
Funded projects	409,969	152,505
Feet First – Family Health Team	159,014	136,422
Amortization – building	667,514	647,135
Amortization – other assets	35,852	38,634
Projects funded through donations and other	5,472	11,925
	<b>13,071,341</b>	<b>12,535,818</b>
Surplus before the undernoted	29,012	71,883
Surplus transferred to internally restricted operating reserve	19,413	60,417
Surplus repayable to Ontario Health (note 8)	1,144	8,052
Surplus repayable to MOH (note 9)	8,445	3,414
Surplus repayable to Pathways Education	10	-
	<b>29,012</b>	<b>71,883</b>
<b>Surplus</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements.

# COMPASS COMMUNITY HEALTH

## Statement of Changes in Net Assets

Year ended March 31, 2022, with comparative information for 2021

March 31, 2022	Unrestricted	Invested in land	Invested in capital assets	Internally restricted operating reserve	Total
Net assets, beginning of year	\$ 35,708	\$ 584,408	\$ 125,009	\$ 249,484	\$ 994,609
Surplus transferred to internally restricted operating reserve	-	-	-	19,413	19,413
Net assets, end of year	\$ 35,708	\$ 584,408	\$ 125,009	\$ 268,897	\$ 1,014,022

March 31, 2021	Unrestricted	Invested in land	Invested in capital assets	Internally restricted operating reserve	Total
Net assets, beginning of year	\$ 35,708	\$ 584,408	\$ 125,009	\$ 189,067	\$ 934,192
Surplus transferred to internally restricted operating reserve	-	-	-	60,417	60,417
Net assets, end of year	\$ 35,708	\$ 584,408	\$ 125,009	\$ 249,484	\$ 994,609

See accompanying notes to financial statements.

# COMPASS COMMUNITY HEALTH

## Statement of Cash Flows

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Surplus	\$ -	\$ -
Items not involving cash:		
Surplus transferred to internally restricted operating reserve	19,413	60,417
Amortization – building	667,514	647,135
Amortization – other assets	35,852	38,634
Amortization of deferred capital contributions	(703,366)	(685,769)
Changes in non – cash working capital:		
Short-term investments	307,308	835,620
Accounts receivable	241,400	(185,056)
Prepaid expenses	(16,105)	(39,032)
Accounts payable and accrued liabilities	18,130	(193,050)
Due to Ontario Health	(34,809)	8,052
Due to MOH	8,445	720
Due to/from Pathways to Education	(34,390)	10,500
Deferred contributions	229,504	(51,593)
	<u>738,896</u>	<u>446,578</u>
Capital activities:		
Additions to capital assets	(99,634)	(213,692)
Deferred capital contributions	99,634	213,692
	-	-
Financing activities:		
Long-term investments	(1,162,252)	-
	<u>(1,162,252)</u>	<u>-</u>
(Decrease) increase in cash	(423,356)	446,578
Cash, beginning of year	2,406,406	1,959,828
Cash, end of year	<u>\$ 1,983,050</u>	<u>\$ 2,406,406</u>

See accompanying notes to the financial statements.

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

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## 1. Purpose of the Organization:

Compass Community Health (the “Health Centre”) is incorporated under the laws of Ontario as a not-for-profit organization without share capital. On June 26, 2018, the Health Centre changed its name from North Hamilton Community Health Centre to Compass Community Health. The Health Centre operates under the Ontario Charitable Institutions Act and is a registered charity under the Income Tax Act.

The Health Centre’s principal activities include the provision of community oriented primary care including health promotion and disease prevention services by family physicians, nurses and other healthcare professionals.

## 2. Significant accounting policies:

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

Significant accounting policies are as follows:

### a) Revenue recognition:

The Health Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized in 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.

### b) Internally restricted operating revenue:

The Health Centre established an operating reserve to provide continued funding of operations and ensure financial stability. In accordance with the operating reserve policy, any unspent unrestricted donations received, or receivable is transferred to (from) the operating reserve. The net assets of the operating reserve may be used to fund expenditures as approved by the Board of Directors.

### c) Capital assets:

Capital assets are recorded at cost. Capital assets are amortized over their estimated useful lives on a straight-line basis at the following rates. In the year of acquisition, amortization is provided at one-half the normal rate.

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	Years
Buildings	25
Building - Greenhouse	25
Furniture and equipment – capital plan	5
Furniture and equipment	5
Computer equipment	1

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# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

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## 2. Significant accounting policies (continued):

### d) Contributed materials and services:

Contributed materials and services, which are used in the normal course of the Health Centre'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.

### 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. Actual results could differ from those estimates.

### f) 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 Health Centre 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 Health Centre 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 Health Centre 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.

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

## 2. Significant accounting policies (continued):

### g) Allocation of expenses:

The Health Centre records a number of its expenses by program. The costs of each program includes the costs of personnel, premises and other expenses that are directly related to providing the program.

The Health Centre allocates certain of its general support expenses by identifying the appropriate basis of allocating each expense. Administration and corporate governance are not allocated.

## 3. Short-term investments:

	2022	2021
GIC bearing interest at 2.33% (2021 – 2.33%) per annum, matured on April 19, 2021.	\$ -	\$ 505,339
GIC bearing interest at 0.56% per annum, matured on February 10, 2022.	-	244,884
GIC bearing interest at 0.61% per annum, maturing on July 14, 2022.	100,000	-
GIC bearing interest at 0.61% per annum, maturing on July 14, 2022.	100,000	-
BMO Mtge & Short-Term Income Fund	242,915	-
	\$ 442,915	\$ 750,223

All interest earned on investments is used to supplement the direct operating costs of the Health Centre.

## 4. Accounts receivable:

	2022	2021
Trade receivables	\$ 1,154,878	\$ 1,279,262
HST receivable	139,906	256,922
	\$ 1,294,784	\$ 1,536,184

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

## 5. Long-term investments:

	2022	2021
GIC bearing interest at 0.93% per annum, maturing on July 14, 2023.	100,000	-
GIC bearing interest at 0.91% per annum, maturing on July 14, 2023.	100,000	-
GIC bearing interest at 2.84% per annum, maturing on April 1, 2024.	100,000	-
GIC bearing interest at 2.80% per annum, maturing on April 1, 2024.	51,409	-
GIC bearing interest at 2.85% per annum, maturing on April 1, 2024.	100,000	-
GIC bearing interest at 1.32% per annum, maturing on July 15, 2024.	100,000	-
GIC bearing interest at 1.34% per annum, maturing on July 15, 2024.	100,000	-
GIC bearing interest at 1.51% per annum, maturing on July 14, 2025.	100,000	-
GIC bearing interest at 1.54% per annum, maturing on July 14, 2025.	100,000	-
Principal Protected Note (PPN) at 5.0% volatility maturing on July 29, 2026.	155,000	-
Principal Protected Note (PPN) at 5.0% volatility maturing on September 16, 2026.	155,843	-
	<u>\$ 1,162,252</u>	<u>\$ -</u>

All interest earned on investments is used to supplement the direct operating costs of the Health Centre.

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

## 6. Capital assets:

March 31, 2022	Cost	Accumulated amortization	Net book value
Land	\$ 709,417	\$ -	\$ 709,417
Building	16,016,629	7,211,938	8,804,691
Building – Greenhouse	90,612	23,257	67,355
Furniture and equipment – capital plan	975,726	975,726	-
Furniture and equipment	268,357	128,233	140,124
Computer equipment	76,786	76,786	-
	<u>\$ 18,137,527</u>	<u>\$ 8,415,940</u>	<u>\$ 9,721,587</u>

  

March 31, 2021	Cost	Accumulated amortization	Net book value
Land	\$ 709,417	\$ -	\$ 709,417
Building	15,956,711	6,547,902	9,408,809
Building – Greenhouse	90,612	19,633	70,979
Furniture and equipment – capital plan	975,726	975,726	-
Furniture and equipment	228,641	93,132	135,509
Computer equipment	76,786	76,181	605
	<u>\$ 18,037,893</u>	<u>\$ 7,712,574</u>	<u>\$ 10,325,319</u>

Included in land of \$709,417 is an amount of \$125,009 which has been funded from other sources outside of the MOH and Ontario Health. The remaining amount of \$584,408 has been funded by the MOH.

The Greenhouse building, totaling \$90,612 has been funded by Pathways to Education and other sources outside of the MOH and Ontario Health funding.

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$58,324 (2021 - \$59,912), which includes amounts payable for payroll related taxes.

## 8. Due to Ontario Health:

Revenue from Ontario Health is based upon an approved annual budget for Core programs, Feet First Steps for Health, Diabetes Education, Chronic Obstructive Pulmonary Disease, Non-insured Clients and Exercise and Falls Prevention. Surplus funding, if any, is determined by management and is recorded as a liability at the end of the fiscal year. This amount is subject to review by Ontario Health and adjustments, if any, arising there from are recognized in the period in which they become known.

	2022	2021
Balance, beginning of year	\$ 117,339	\$ 109,287
Current year surplus – Ontario Health	40	8,052
Current year surplus – Health Capital Investment Branch	1,104	-
Amounts recovered during the year	(35,953)	-
Balance, end of year	\$ 82,530	\$ 117,339

## 9. Due to MOH:

Revenue from the MOH is based upon an approved funding for the Health Centre's Primary Care Asthma Program (PCAP) and the Community Infrastructure Fund (CIRF). Surplus funding, if any, is determined by management and is recorded as a liability at the end of the fiscal year, unless specific approval is granted by the Ministry to allow funds to be deferred. This amount is subject to review by the MOH and adjustments, if any, arising there from are recognized in the period in which they become known.

	2022	2021
Balance, beginning of year	\$ 3,420	\$ 2,700
Current year - PCAP surplus	8,445	3,414
Amounts recovered during the year	-	(2,694)
Balance, end of year	\$ 11,865	\$ 3,420

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

## 10. Deferred contributions:

Deferred contributions relate to expenses of future periods that represent unspent externally restricted grants and donations for specific programs.

	2022	2021
Designated donations	\$ 128,788	\$ 127,287
Grants	689,375	659,696
One-Time Community Investment Deferred	168,119	-
Deferred funding – Community Partnerships	1,031,388	1,001,183
	<u>\$ 2,017,670</u>	<u>\$ 1,788,166</u>

## 11. Deferred capital contributions:

Deferred capital contributions related to capital assets represent capital contributions received or receivable for the purchase of capital assets. The amortization of capital contributions is recorded as revenue on a basis that corresponds with the amortization of the related capital asset and is recorded as revenue in the statement of operations.

	2022	2021
Balance, beginning of year	\$ 9,668,731	\$ 10,140,808
Current year additions:		
Ontario Health funding	11,633	106,358
Ontario Health funding – Community Infrastructure Renewal Fund	56,453	101,894
MOH funding	2,144	3,928
Funded projects	17,817	1,512
Donations and other	11,587	-
Amortization of deferred capital contributions	(703,366)	(685,769)
Balance, end of year	<u>\$ 9,064,999</u>	<u>\$ 9,668,731</u>

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

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## 12. Financial risks:

### (a) Liquidity risk:

Liquidity risk is the risk that the Health Centre will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Health Centre manages its liquidity risk by monitoring its operating requirements. The Health Centre prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

There have been no significant change to the liquidity risk exposure from 2021.

### (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Health Centre is exposed to credit risk with respect to the accounts receivable. The Health Centre assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

There have been no significant change to the credit risk exposure from 2021.

## 13. Ontario Health core programs and administrative expenses:

	2022	2021
Salaries and benefits	\$ 5,093,099	\$ 5,147,819
Program and other	525,507	503,918
Repairs and maintenance	91,318	82,860
Travel	20,285	1,472
Equipment, supplies and maintenance	138,965	226,328
Insurance	68,327	36,825
Professional and consulting fees	17,643	37,254
	<u>\$ 5,955,144</u>	<u>\$ 6,036,476</u>

# COMPASS COMMUNITY HEALTH

Notes to Financial Statements

Year ended March 31, 2022

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## 14. COVID-19:

On March 11, 2020, the World Health Organization declared the Coronavirus COVID-19 ("COVID-19") outbreak a pandemic. This has resulted in significant financial, market and societal impacts in Canada and around the world.

From the declaration of the pandemic to the date of approval of these financial statements, the Health Centre implemented the following actions in relation to the COVID-19 pandemic:

- The closure of certain facilities to the general public, with temporary facilities opened to deal with screening and testing activities;
- Revisions to the delivery of a number of services in order to create capacity for pandemic response and limit the potential for transmission within the Health Centre; and
- The implementation of working from home requirements for certain employees.

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Health Centre's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated net assets to sustain operations. An estimate of the financial effect of the pandemic on the Health Centre is not practicable at this time.