



Community Care
NORTHUMBERLAND

Finance 101

Building Financial Literacy for Better Oversight

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Prepared for: **Board**

Learning Objectives

1. Gain insights into the core components of the Statement of Financial Position & Statement of Operations to understand where to find key info.
2. Learn what to look for in evaluating financial health at a Board level without getting lost in the noise, this includes:
 - How to ensure the statements are accurate at-a-glance
 - How to focus on the right level of financial info
 - How to understand key financial ratios
3. Understand the importance of benchmarking and the process behind it.

Anatomy of a Statement of Financial Position (aka Balance Sheet)

What we own

	September 30, 2024	July 31, 2024
	\$	\$
CURRENT ASSETS		
Cash and bank		
RBC Operating Account	171,086	51,061
RBC Lottery Account	11,671	11,531
CIBC High Interest Savings Account	968,512	1,206,774
Petty Cash	2,292	2,292
Accounts receivable	238,520	235,949
Prepaid Expenses	72,478	79,822
Investments		
RBC GICs	54,211	55,905
Accrued Interest on Investments	3,957	2,319
Port Hope - Credit Union Shares	-	2,141
Total Current Assets	1,522,726	1,647,794
Property, Plant & Equip		
Land	236,188	246,526
Equipment	272,595	260,037
Leasehold Improvements	2,707	3,086
Building	6,714,328	6,742,970
Vehicle	85,730	60,167
Total Property, Plant & Equip	7,311,547	7,312,787
Total Assets	8,834,273	8,960,580

What we owe

LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	588,139	613,304
Emp Remittances	-76,808	-30,381
Deferred grant revenue	78,099	113,164
Total Current Liabilities	589,431	696,088
Deferred Contributions	7,311,547	7,312,787
Long Term Liability		
Total LT Liabilities	7,311,547	7,312,787

What we're worth

Amount left after subtracting what is owed from what is owned

Fund Balances		
Net Assets	1,082,996	1,082,996
Year to Date Surplus/Deficit	-149,700	-131,291
Total Liabilities & Fund Balances	8,834,273	8,960,580

Analyzing the Statement of Financial Position

Checklist:

Does it balance?

The equation below must balance, otherwise there's been errors in the presentation of the data on the statement of financial position.

$$\text{Assets} = \text{Liabilities} + \text{Net Assets}$$

Do the statements flow together perfectly?

Net income or loss reported on the income statement must match the change in net assets on the balance sheet. This provides assurance that all accounts have been properly reported.

Are there trends?

As there is rarely a budget for the balance sheet, it is helpful to compare each line to prior years, looking for large swings in performance & associated explanations from Finance to understand context.

How liquid is the organization?

The formula below is used as a gauge to understand an organization's ability to meet its short-term debts (i.e. Payables). A score of >1 is healthy; anything below this signifies potential liquidity risk.

$$\text{Quick Ratio} = \frac{\text{Cash} + \text{Receivables}}{\text{Current Liabilities}}$$

Analyzing the Statement of Financial Position

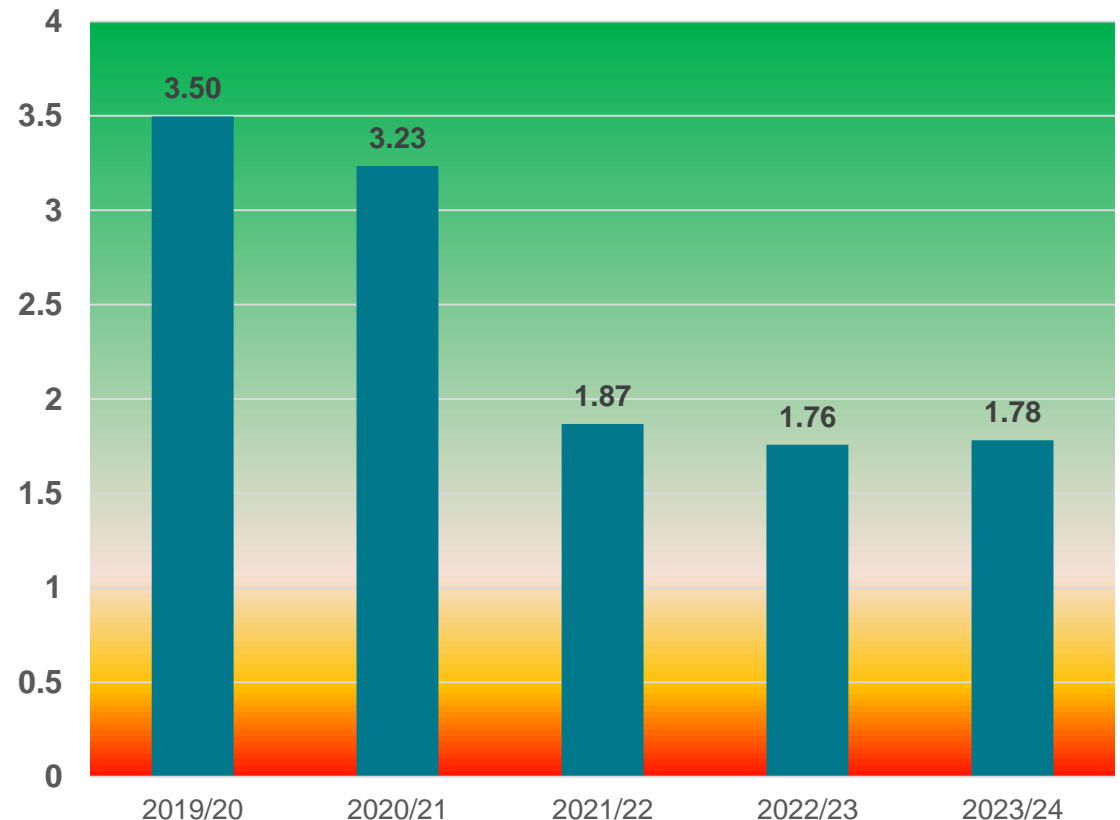
Takeaways at the Board-level:

Liquidity has declined over the years; however, scores are still significantly above 1.0 – which is considered very healthy

Important Questions:

1. What are our largest cash needs?
2. Can we pay our current liabilities without cash flow issues?
3. Are our net assets increasing or decreasing over time?
 - a) What is driving this trend?

Liquidity Trend (2019-2024)



Anatomy of the Statement of Operations (aka Income Statement)

What we received

Community Care Northumberland	YTD Actual	YTD Budget	YTD Variance	YTD Variance %	PY YTD Actual	Annual Budget
Government Funding - Base	1,350,904	1,349,151	1,753	0.1%	1,302,802	2,698,302
Government Funding - One-Time	529,766	471,500	58,266	12.4%	330,283	943,000
Client fee recoveries	388,281	433,550	-45,269	-10.4%	411,282	867,100
Fundraising	28,524	61,600	-33,076	-53.7%	40,171	123,200
Donations	97,983	221,688	-123,705	-55.8%	349,059	443,375
Foundation Revenue	194,971	333,788	-138,817	-41.6%	0	667,575
Grants	210,595	195,050	15,545	8.0%	285,963	390,100
Interest income/loss	34,296	28,000	6,296	22.5%	42,964	56,000
Amortization of Capital Contribution	256,832	256,804	28	0.0%	231,192	513,607
Other revenue	594	4,000	-3,406	-85.2%	8,713	8,000
Total Revenue	3,092,746	3,355,130	-262,384		3,002,429	6,710,259

What we spent

Operating Expenses						
Salaries, Wages	1,737,083	1,866,040	-128,957	-6.0%	1,631,490	3,732,080
Benefits	294,398	294,635	-237	0.0%	272,574	589,270
Medical Staffing	34,103	35,900	-1,797	-5.0%	31,018	71,800
Supplies	284,796	254,638	30,158	11.0%	263,380	509,275
General Sundry	118,969	133,144	-14,175	-11.0%	130,014	266,288
Travel - Staff & Service Delivery	163,757	171,325	-7,568	1.0%	177,327	342,650
Professional fees	102,245	115,022	-12,777	-11.0%	99,808	230,044
Volunteer Recognition	7,701	5,157	2,544	91.0%	7,024	10,315
Fundraising	15,150	23,075	-7,925	-3.0%	24,474	46,150
Equipment Maintenance/Purchase	49,014	41,050	7,964	156.0%	50,142	82,100
Amortization of Capital Assets	256,832	256,804	28	-1.0%	232,957	513,607
Contracted Out Services	53,385	49,790	3,595	10.0%	47,380	99,580
Occupancy - Rent/Lease/Taxes	125,013	108,550	16,463	21.0%	87,540	217,100
Total Expenses	3,242,446	3,355,130	-112,684		3,055,128	6,710,259

What we made or lost

Surplus or Deficit before Transfers	-149,700	0	-149,700		-52,699	0
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Analyzing the Statement of Operations

Checklist:

What are the major budget deviations?

When looking at variances, zero-in on the largest absolute dollar amounts AND percentage deviations. Expect to see management explanations for budget variances >\$5,000 and 10%.

Are there trends?

Compare each line to prior year, looking for large swings in performance & associated explanations from management to understand context.

Is there an operating margin?

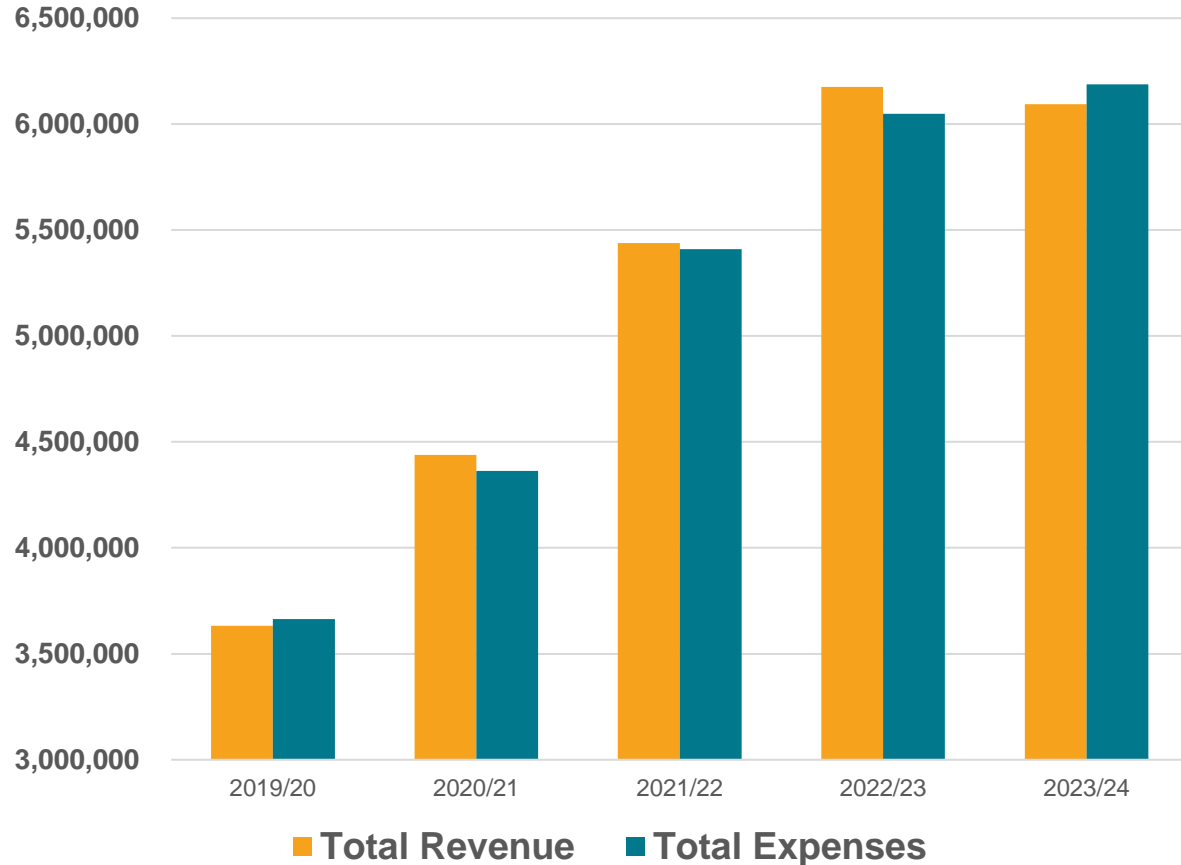
The margin indicates the percentage of revenue that remains after covering expenses. A positive operating margin suggests sustainability, while a negative one signals potential financial challenges.

Is revenue being diversified?

Particularly important for organizations that rely on fixed streams of ministry funding, this composition is important to track over time. A diverse revenue base reduces financial risk.

Analyzing the Statement of Operations

Total Revenues vs. Total Expenses



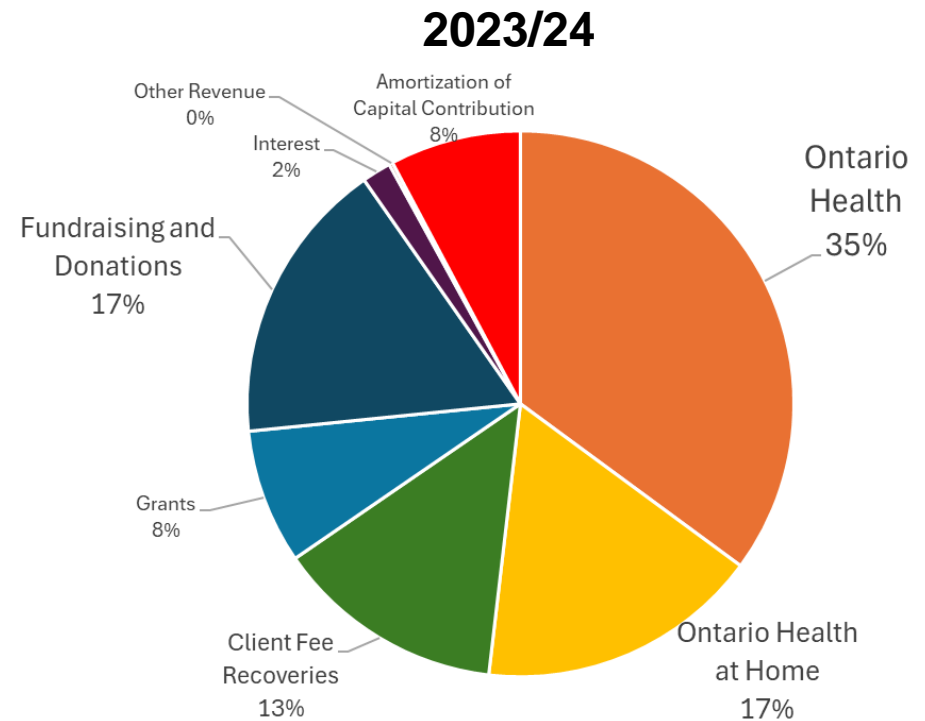
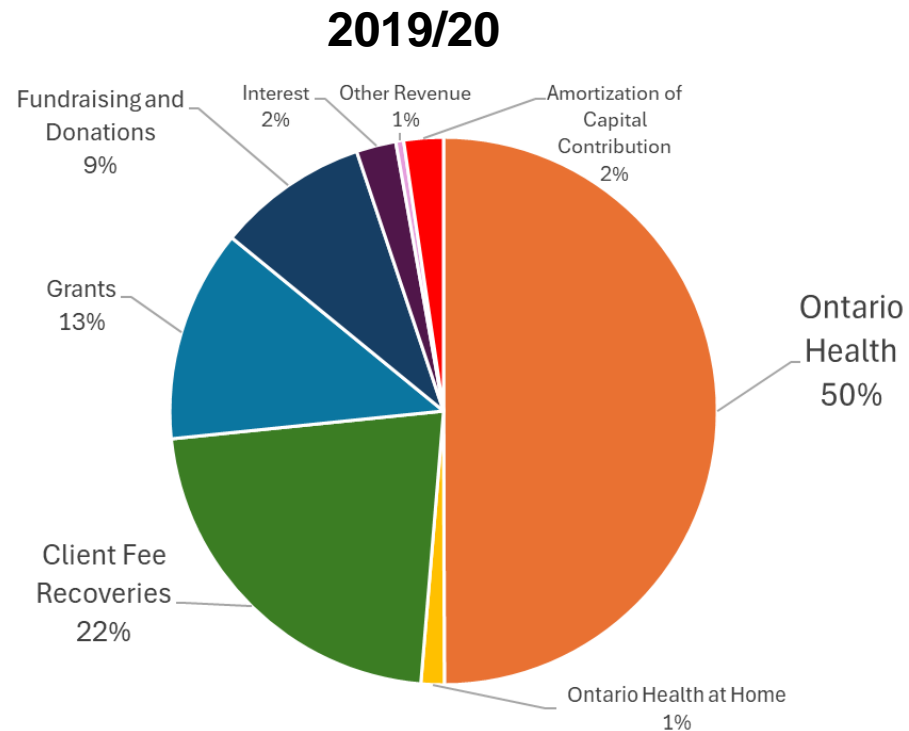
Takeaways at the Board-level:

Expenses grew in each of the last 5 years and, if they continue to outpace revenue, the organization will eventually face cash flow challenges

Important Questions:

1. What's causing the margin deterioration?
 - a) Do we have an expense (efficiency) challenge or a deficiency of revenues?
2. If expense growth is driving the deficit, how do our programs benchmark against peers?
3. If revenue stagnation is driving the deficit, how are we looking to diversify?

Analyzing the Statement of Operations: *Revenue Diversity*



Key Takeaways:

- Total revenue has grown by \$2.4M (68%) since 2019/20. The pie charts above indicate a reduced reliance on Ontario Health (OH) revenues, signifying healthy diversification.
- Despite this, expenses (detailed on Slide 12) have grown by \$2.5M (69%) since 2019/20, contributing to the margin erosion.

Explanation of Revenue Streams

Ontario Health - 34%

Given by the government through base funding & one-time funding.

Funding is either:

- *Restricted* where it can only be spent on a certain program or expense **OR** exclude a certain program or expense
- *Unrestricted* where there are no rules as to what it can be spent on within the organization

Ontario Health at Home (Restricted) - 16%

Helps CCN provide end-of-life care for individuals in their homes or in hospice settings, ensuring comfort, dignity, and support for both patients and their families.

- Funds are strictly allocated to costs associated with the Hospice Residence beds, such as nursing, personal support workers (PSWs), counseling, medication, food, and cleaning.
- This funding cannot be used for community hospice programs or to cover the general operating expenses of Ed's House.

Client Recovery Fees - 12%

Fees for services that CCN provides to the community. Includes transportation, meals, in-home help, etc.

Explanation of Revenue Streams *CONTINUED*

Grants - 8%

Government Grants: Awarded based on programmatic needs, alignment with public policy goals, or community impact.

Private Grants: Foundations or corporations may offer grants for specific projects or needs.

Fundraising & Donations - 20%

Fundraising generates unrestricted funds that can be used flexibly

- Unrestricted donations are not tied to specific programs and can be used to cover general operating expenses or for areas of greatest need.
- Restricted donations are tied to specifics as donors specify how their funds should be used (i.e., for a specific program or capital project).

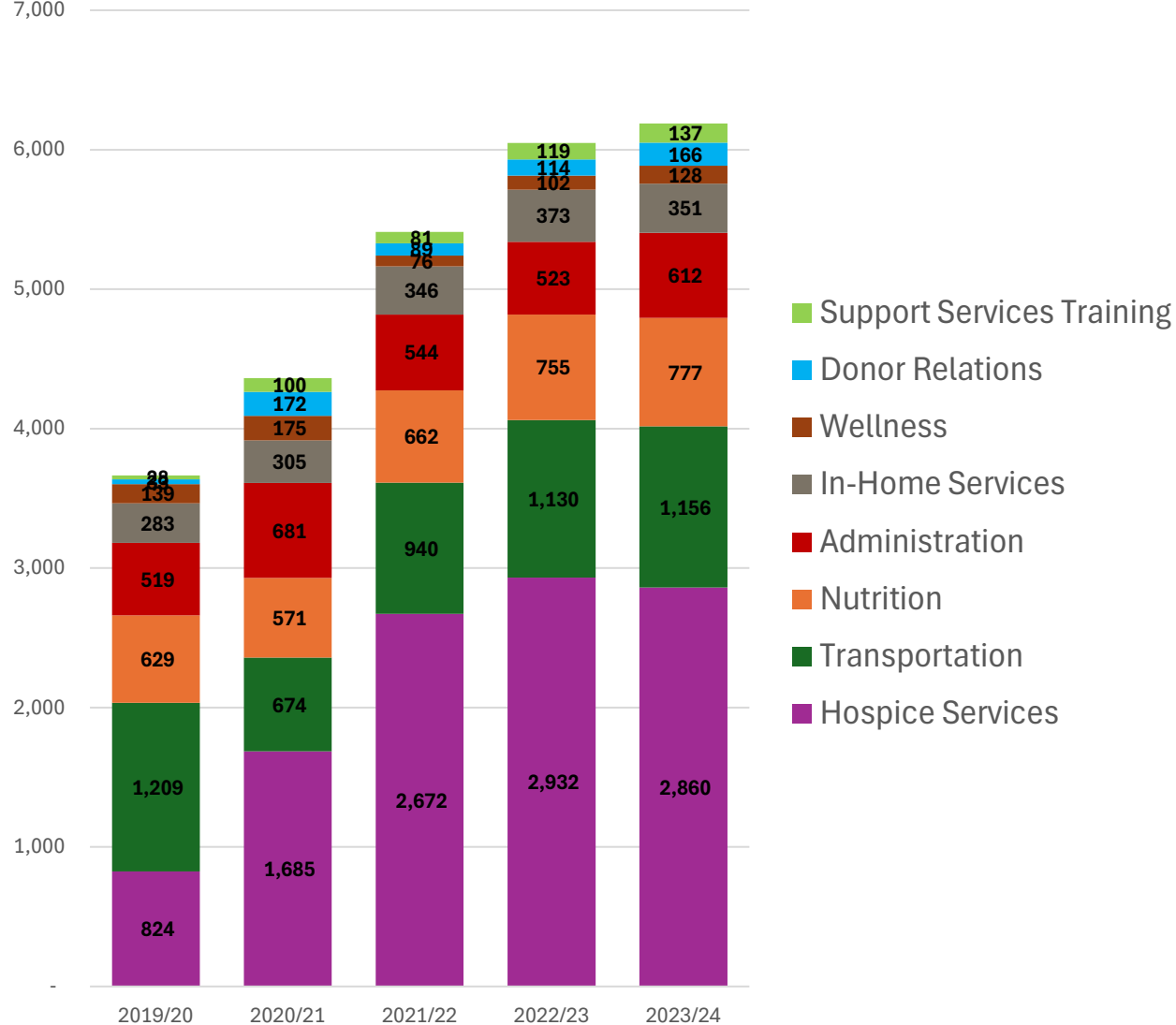
Interest - 1%

Incurred on operating & lottery bank accounts, High Interest Savings Account (HISA) & Guaranteed Income Certificate (GICs).

Amortization of Capital Contribution - 8%

Spreading out the value of funding (like grants or donations) for capital items such as buildings, equipment, or vehicles over time as they are used. For example, if a donation paid for a building, the funding is recognized as income bit by bit as the building is used.

Annual Program Costs



Hospice Services

- Accounts for the largest share of expenses reflecting its critical role in community care and suggests a significant focus on end-of-life care and associated resources.

Transportation

- The second-highest expense, highlighting the organization’s commitment to accessibility for clients.

Nutrition

- Indicates the strong need for this services within the community.

Administration

- The costs are moderate, suggesting expenses are being managed efficiently.

Are the programs utilizing their resources efficiently?

Benchmarking & Why It's Important

Benchmarking answers the question ***are we utilizing our resources efficiently relative to peers?***

Steps in the Benchmarking Process:

1. Identify Key Areas to Compare
 - Program cost to total operating expense, average expense per individual served, etc.
2. Select Peer Organizations
 - Those with similar operation scales, service delivery models, geographic regions
3. Collect Data
 - Use reliable data bases such as the Health Data Branch
4. Analyze & Identify Best Practices
 - Look for gaps, outliers, & trends
 - Evaluate efficiencies (i.e. $Cost\ per\ Unit = \frac{Total\ Program\ Costs}{Activity\ Measure}$)
5. Make Improvements
 - Investigate root cause where gaps & outliers occur
 - Optimize resources and adopt best practices while continuously monitoring progress for sustainable improvement

Benchmarking helps set realistic goals, stay competitive, and improve performance over time. It is used for budgeting purposes to accurately predict program activity by analyzing trends and aligning resources with expected output. Benchmarking exercises (which started with Meals On Wheels) are planned over the next 12 months.

Contact Information

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