

Financial Statements of

**LANARK, LEEDS AND  
GRENVILLE ADDICTIONS  
AND MENTAL HEALTH**

Year ended March 31, 2019

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Financial Statements

Year ended March 31, 2019

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Lanark, Leeds and Grenville Addictions and Mental Health

### ***Opinion***

We have audited the financial statements of Lanark, Leeds and Grenville Addictions and Mental Health (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2019
- 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 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, 2019, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting as described in Note 1 to the financial statements.

### ***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 auditors' 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.

### ***Emphasis of Matter***

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the applicable financial reporting framework and the purpose of the financial statements. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of 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 the basis of accounting as described in Note 1 to the financial statements, 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 the 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 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

Kingston, Canada

December 16, 2019

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Statement of Financial Position

March 31, 2019, with comparative information for 2018

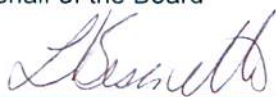
	2019	2018
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 1,136,969	\$ 1,217,248
Accounts receivable	327,970	229,669
Other receivables	131,952	151,852
Prepaid expenses and deposits	71,099	58,640
	<u>1,667,990</u>	<u>1,657,409</u>
Restricted cash (note 2)	344,238	365,727
Capital assets (note 3)	3,487,639	3,822,408
	<u>\$ 5,499,867</u>	<u>\$ 5,845,544</u>

## Liabilities, Deferred Contributions and Net Assets (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 159,373	\$ 290,447
Accrued wages and vacation	673,736	633,734
Government remittance payable	125,513	149,898
Accounts payable to provincial ministries	567,478	82,910
Deferred revenue	52,779	904
Current portion of long-term debt (note 4)	191,148	197,670
	<u>1,770,027</u>	<u>1,355,563</u>
Long-term debt (note 4)	611,467	777,317
Employee future benefit liabilities (note 5)	1,431,200	-
Deferred capital contributions (note 6)	3,134,089	3,296,486
Net assets (deficiency):		
Capital reserves (note 8)	344,238	365,727
Investment in capital assets (note 7)	24,274	24,274
Unrestricted (deficiency)	(1,815,428)	26,177
	<u>(1,446,916)</u>	<u>416,178</u>
Commitments (note 10)		
Subsequent events (note 15)		
	<u>\$ 5,499,867</u>	<u>\$ 5,845,544</u>

See accompanying notes to financial statements.

On behalf of the Board

  
\_\_\_\_\_  
Director *Chair*

\_\_\_\_\_  
Director

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

## Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
<b>Revenue:</b>		
LHIN funding (note 11)	\$ 9,293,459	\$ 9,128,008
LHIN one-time funding (note 11)	784,133	620,102
MOHLTC funding (note 11)	917,485	833,185
MOHLTC one-time funding (note 11)	69,400	90,752
Other government funding	767,165	774,856
	<u>11,831,642</u>	<u>11,446,903</u>
<b>Recoveries and other income:</b>		
Administrative cost recoveries	297,271	339,797
Rental	254,114	135,048
Interest	22,603	11,551
Other	74,801	105,952
	<u>648,789</u>	<u>592,348</u>
	<u>12,480,431</u>	<u>12,039,251</u>
<b>Expenses:</b>		
Salaries and wages	6,998,717	6,372,162
Employee benefits	1,692,755	1,678,511
Employee future benefits (note 5)	1,431,200	-
Purchased psychiatry services	239,312	224,120
Other supplies and services	1,948,564	2,249,729
Occupancy costs and repairs	1,396,935	1,204,361
	<u>13,707,483</u>	<u>11,728,883</u>
Excess (deficiency) of revenue over expenses before the undernoted	(1,227,052)	310,368
Amortization of capital assets	(279,275)	(360,607)
Loss on disposal of capital assets	(5,898)	-
Amortization of grant revenue	162,397	238,038
Subsidy repayable	(491,777)	(61,607)
Excess (deficiency) of revenue over expenses	<u>\$ (1,841,605)</u>	<u>\$ 126,192</u>

See accompanying notes to financial statements.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

## Statement of Changes in Net Assets

Year ended March 31, 2019, with comparative information for 2018

	Externally restricted capital reserves (note 8)	Invested in in capital assets (note 7)	Unrestricted	2019 Total	2018 Total
Balance, beginning of year	\$ 365,727	\$ 24,274	\$ 26,177	\$ 416,178	\$ 247,688
Excess (deficiency) of revenue over expenses	–	(172,372)	(1,669,233)	(1,841,605)	126,192
Contribution	16,656	–	–	16,656	16,648
One-time contribution - MOHLTC	–	–	–	–	25,650
Net change in investment in capital assets	–	172,372	(172,372)	–	–
Capital reserve qualifying expenditures	(38,145)	–	–	(38,145)	–
<b>Balance, end of year</b>	<b>\$ 344,238</b>	<b>\$ 24,274</b>	<b>\$(1,815,428)</b>	<b>\$(1,446,916)</b>	<b>\$ 416,178</b>

See accompanying notes to financial statements.



# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ (1,841,605)	\$ 126,192
Items not involving cash:		
Amortization of deferred capital contributions	(162,397)	(238,038)
Loss on disposal of capital assets	5,898	-
Amortization of capital assets	279,275	360,607
Change in non-cash operating working capital:		
Accounts receivable	(98,301)	(33,741)
Other receivables	19,900	(19,821)
Prepaid expenses and deposits	(12,459)	(32,208)
Accounts payable and accrued liabilities	1,315,743	365,118
Accounts payable to provincial ministries	484,568	(340,609)
Deferred revenue	51,875	(20,852)
	42,497	166,648
Financing activities:		
Repayment of long-term debt	(172,372)	(122,568)
Increase in deferred capital contributions	-	27,713
	(172,372)	(94,855)
Investing activities:		
Purchase of capital assets	-	(27,374)
Net transfers to (from) reserves and capital funding	(21,489)	42,298
Proceeds on disposal of capital assets	49,596	-
	28,107	14,924
Increase (decrease) in cash	(101,768)	86,717
Cash, beginning of year	1,582,975	1,496,258
Cash, end of year	\$ 1,481,207	\$ 1,582,975
Cash represented by:		
Operating funds	\$ 1,136,969	\$ 1,217,248
Restricted cash	344,238	365,727
	\$ 1,481,207	\$ 1,582,975

See accompanying notes to financial statements.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements

Year ended March 31, 2019

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On March 31, 2016, Lanark, Leeds and Grenville Addictions and Mental Health (the "Organization") was incorporated as a non-profit corporation without share capital under the laws of Ontario as a result of the amalgamation of Leeds Grenville Mental Health, Leeds Grenville Phased Housing Programme, Brockville Supportive Non Profit Housing Coalition, TriCounty Addiction Services and The Brock Cottage. The Organization is exempt from income taxes under the Income Tax Act (Canada). Using a variety of health and social supports, and in partnership with others, the Organization works with people who have serious and persistent mental illness and/or addictions in order that they can be active, participating members of the communities of Lanark, Leeds and Grenville.

## 1. Significant accounting policies:

(a) These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the basis of accounting required by the Ministry of Health and Long-term Care (MOHLTC)/South East Local Health Integration Network (LHIN). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles as described below:

(i) Land and buildings:

Costs of a new project are capitalized up to the "interest adjustment date", which is the date of the completion of the project. All projects are 100% financed by long-term debt up to the interest adjustment date, after which all costs are considered current expenditures. Amortization of buildings is provided in an amount equivalent to the principal repayment of debt in the year.

(ii) Capital reserve:

Appropriations to the reserve fund are reported on the statement of operations. Interest income earned on the reserve fund is reported as direct revenue of the reserve. Capital expenditures are reported as direct expenditures of the reserve fund.

(iii) Interest expense:

Interest expense is recorded based on interest expense paid on long-term debt. No accrual is made.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions which include government grants.

Under various Province of Ontario Acts and Regulations thereto, the Organization is funded primarily in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (the "Ministry"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2019.

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 contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

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

Rent is recognized as revenue when earned. Services revenue is recognized when the services are provided.

### (c) Capital assets:

Purchased capital assets financed by capital grants from the Ministry of Health and Long-Term Care are recorded at cost. Repairs and maintenance are charged to expenses. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 1. Significant accounting policies (continued):

### (c) Capital assets (continued):

Amortization is provided on building and furniture and equipment purchased with mortgage financing at a rate equal to the annual principal reduction of the related mortgage, rather than over their estimated useful lives. Other assets are amortized on a straight line basis as indicated below.

Asset	Useful life
Buildings - 25 Front Avenue West, residential housing, based on the principal reduction of the related mortgage pursuant to Ministry Guidelines	40 years
Furniture, equipment and other	5 and 10 years

### (d) Capital reserves:

The capital reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

### (e) Employee future benefit liabilities:

The Organization accrues its obligations for employee benefit plans. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees.

The Organization is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Organization has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. Contributions to the multiemployer defined benefit plan are expensed when due.

### (f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to subsequently carry any such financial instruments at fair value.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 1. Significant accounting policies (continued):

### (f) Financial instruments (continued):

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 Organization determines if there is a significant adverse change in the expected amount of 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 Organization 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.

### (g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant estimates and assumptions include the carrying amount of capital assets. Actual results could differ from those estimates.

## 2. Cash:

	2019	2018
Cash	\$ 1,136,969	\$ 1,217,248
Restricted cash	344,238	365,727
	<hr/>	<hr/>
	\$ 1,481,207	\$ 1,582,975
Comprised of:		
Cash	\$ 1,481,207	\$ 1,582,975

Restricted cash represents the reserve for future capital replacement.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

### 3. Capital assets:

	Cost	Accumulated amortization	2019 Net book value	2018 Net book value
Land	\$ 351,366	\$ —	\$ 351,366	\$ 351,366
Buildings:				
25 Front Avenue West	3,989,891	1,674,837	2,315,054	2,474,650
Residential housing	2,821,102	2,023,087	798,015	970,387
Furniture, equipment and other	530,504	507,300	23,204	26,005
	<b>\$ 7,692,863</b>	<b>\$ 4,205,224</b>	<b>\$ 3,487,639</b>	<b>\$ 3,822,408</b>

Cost and accumulated amortization at March 31, 2018 amounted to \$7,692,864 and \$3,870,456, respectively.

### 4. Long-term debt:

	2019	2018
Mortgages payable	\$ 802,615	\$ 974,987
Less: current portion of mortgages payable	191,148	197,670
Balance, end of year	<b>\$ 611,467</b>	<b>\$ 777,317</b>

Mortgages payable are secured by first mortgages on land and buildings. Interest rates range from 1.04% to 5.755%. Maturity dates range from July 1, 2019 to June 2027.

Principal due on the long-term debt in each of the next five years and thereafter are as follows:

2020	\$ 191,148
2021	206,192
2022	90,350
2023	283,301
2024 and thereafter	31,624
	<b>\$ 802,615</b>

Interest on long-term debt in the amount of \$20,462 (2018 - \$22,161) is included in occupancy costs and repairs on the Statement of Operations.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 5. Employee future benefit obligations:

During 2019, the Organization implemented extended health care and dental benefits to certain employees. An independent actuarial study of the post-retirement and post-employment benefits has been undertaken. The most recent valuation of the employee future benefits was completed as at April 1, 2019. The next valuation of the plan is effective March 31, 2022.

At March 31, 2019 the Organization's accrued benefit liabilities relating to post-retirement and post-employment benefit plans are \$1,431,200 (2018 - \$Nil).

Information with respect to the Organization's post-retirement and post-employment benefit liabilities is as follows:

Accrued benefit liabilities	2019
Beginning of year	\$ -
Current service costs, including interest on accrued benefit obligation	1,431,200
<b>Accrued benefit liabilities, end of year</b>	<b>\$ 1,431,200</b>

Accrued benefit liabilities at March 31, include the following components:

	2019
Accrued benefit obligation	\$ 1,431,200
Unamortized actuarial losses	-
<b>Accrued benefit liabilities</b>	<b>\$ 1,431,200</b>

The significant actuarial assumptions adopted in estimating the Organization's accrued benefit obligation are as follows:

Discount rate	3.00% per annum
Discount rate to determine accrued benefit obligation for disclosure at end of period	3.00% per annum
Dental benefits escalation	3.00% per annum until 2023, increasing 0.29% per annum until 2029, then decreasing by 0.13% per annum to an ultimate rate of 3.57% per annum
Health benefits escalation	5.25% per annum until 2023, decreasing by 0.08% per annum to an ultimate rate of 3.57% per annum

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 6. Deferred capital contributions:

Deferred contributions related to capital assets represent the unamortized and unspent capital grants from the Ministry of Health and Long-Term Care for the purchase of capital assets. The amortization of capital contributions is recorded in the Statement of Operations.

	2019	2018
Balance, beginning of year	\$ 3,296,486	\$ 3,506,811
Add: deferred capital contribution for new van	–	30,400
Less: amortization of deferred capital contributions	(162,397)	(238,038)
Less: unspent capital contributions returned	–	(3,026)
	3,134,089	3,296,147
Insurance proceeds King Street West property	–	339
Balance, end of year	\$ 3,134,089	\$ 3,296,486

The balance of deferred contributions related to capital assets consist of the following:

	2019	2018
Unamortized capital contributions	\$ 2,660,750	\$ 2,823,147
Insurance proceeds King Street West property	473,339	473,339
	\$ 3,134,089	\$ 3,296,486

## 7. Invested in capital assets:

(a) The investment in capital assets is calculated as follows:

	2019	2018
Capital assets	\$ 3,487,639	\$ 3,822,408
Amounts financed by:		
Deferred contributions	(2,660,750)	(2,823,147)
Mortgages	(802,615)	(974,987)
	\$ 24,274	\$ 24,274



# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

## 7. Invested in capital assets (continued):

(b) The change in investment in capital assets is calculated as follows:

	2019	2018
Excess of revenue over expenses:		
Amortization of deferred capital contributions related to capital assets	\$ 162,397	\$ 238,038
Amortization of capital assets	(279,275)	(360,607)
Loss on disposal of capital assets	(5,898)	-
Proceeds on disposal of capital assets	(49,596)	-
	<u>(172,372)</u>	<u>(122,569)</u>
Net change in investment in capital assets:		
Repayment of long-term debt	172,372	122,569
Purchase of capital assets	-	27,374
Amounts funding by capital contributions	-	(27,374)
	<u>172,372</u>	<u>122,569</u>
	<u>\$ -</u>	<u>\$ -</u>

## 8. Capital reserves:

Internally and externally restricted capital reserves are replacement reserves set aside to fund future capital replacements and significant repairs and maintenance to housing properties. Amounts are allocated to these reserves each year as per approved operating budgets.

	2019	2018
Balance, beginning of year	\$ 365,727	\$ 323,429
Capital funding	-	25,650
Transfer from operations	16,656	16,648
Expenditures	(38,145)	-
Balance, end of year	<u>\$ 344,238</u>	<u>\$ 365,727</u>

## 9. Pension plan contributions:

Substantially all of the employees of the Organization are members of the Healthcare of Ontario Pension Plans (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital association. The Plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 9. Pension plan contributions (continued):

Contributions to the Plan made during the year by the Organization on behalf of its employees amounts to \$540,167 (2018 - \$478,792) and are included in the Statement of Operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2018 Annual Report as at December 31, 2018 indicates the plan is fully funded at 121%.

## 10. Commitments:

The Organization is committed to the payment of annual rent under the terms of various lease agreements as follows:

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2020	\$	177,325
2021		153,960
2022		137,654
2023		137,682
2024 and thereafter		454,840
	\$	1,061,461

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In addition, the Organization is committed to the payment of additional rent in the form of a proportionate share of common area costs, property taxes and repairs and maintenance.

## 11. Provincial funding revenue:

The provincial operating subsidies are recognized based on approved fiscal allocations by the relevant Ministry. Current year unspent fiscal allocations are recognized as accounts payable to the relevant Ministry and are adjusted on the Statement of Operations in the current period. These operating subsidies are also subject to annual fiscal review and approval by the Ministry. Any year-end adjustments resulting from these reviews will be reflected as a subsidy recovery on the Statement of Operations in the year of determination.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## 12. Credit facility:

The Organization has a revolving demand loan with an authorized limit of \$240,000. The revolving demand loan bears interest at the lending bank's prime rate and is secured by a general security agreement covering all of the assets of the Organization except for real property. The line of credit was undrawn as at March 31, 2019 (2018 - undrawn).

## 13. Financial risks and concentration of credit risk:

### (a) Liquidity risk:

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

### (b) Credit risk:

Credit risk refers to the risk that a counter party may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to receivables and cash. The Organization assesses, on a continuous basis, receivables and provides for any amounts that are not considered collectible in the allowance for doubtful accounts.

The balance in the allowance for doubtful accounts at March 31, 2019 is \$Nil (2018 - \$Nil).

Cash is held with reputable financial institutions.

### (c) Interest rate risk:

The Organization's long-term debt has fixed interest rates. Fixed-interest rate instruments subject the Organization to a fair value risk.

There has been no significant change to the risk exposures from 2018.

## 14. Shared services agreement:

As part of a LHIN initiated Transitional Service Level Agreement for Regional Corporate Services, during the 2017-18 fiscal period the South East Addictions and Mental Health Network ('SEAMH Network') assumed regional back-office administrative support functions for the neighbouring Addictions and Mental Health Agencies of Hastings Prince Edward (AMHS-HPE), Kingston Frontenac Lennox and Addington (AMHS-KFLA) and the Organization. The SEAMH Network provides supporting roles in the functional areas of Finance, IT, and HR.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2019

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## **14. Shared services agreement (continued):**

Effective January 1, 2019 a new shared service organization has created within AMHS-HPE that has assumed the former regional back-office administrative support for the three above noted agencies. Each agency remains their separate and distinct legal entity.

## **15. Subsequent events:**

- (a) On July 1, 2019, the Organization obtained a mortgage in the amount of \$29,926. The principal balance matures on July 1, 2023, is secured by real property, bears interest of prime rate plus 0% per annum and is payable in blended, monthly instalments of \$561.
- (b) On July 29, 2019, the Organization obtained a mortgage in the amount of \$33,172. The principal balance matures on July 29, 2023, is secured by real property, bears interest of prime rate plus 0% per annum and is payable in blended, monthly instalments of \$693.

## **16. Comparative information:**

Certain comparative information has been restated to conform with the financial statement presentation adopted for the current year.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL EALTH

## Schedule 1 - Financial Summary

Year ended March 31, 2019, with comparative information for 2018

	LHIN FUNDED						Ministry Funded						2019 Total	2018 Year	
	Mental Health Base Funded	Mental Health One-Time	Sessional Fees	Addictions Base Funded	Addictions One-Time	Problem Gambling	MOHLTC Supportive Housing	MOHLTC Rent Supps	PAR	DAP	United Way	UCLG			Other FT3
<b>Revenue:</b>															
Funding: LHIN	\$ 6,826,053	\$ -	\$ 159,842	\$ 2,151,701	\$ -	\$ 155,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,293,459	\$ 9,128,008
LHIN one time	-	524,828	-	-	259,305	-	-	-	-	-	-	-	-	784,133	620,102
Funding: MOHLTC	-	-	-	-	-	-	469,482	448,003	-	-	-	-	-	917,485	833,185
MOHLTC one time	-	-	-	-	-	-	-	69,400	-	-	-	-	-	69,400	90,752
Other government funding	-	-	-	-	-	-	-	-	166,537	30,500	60,250	475,756	34,122	767,165	774,856
	6,826,053	524,828	159,842	2,151,701	259,305	155,864	469,482	517,403	166,537	30,500	60,250	475,756	34,122	11,831,642	11,446,903
External recoveries	103,103	-	-	24,615	430	-	-	-	-	-	193	-	31,230	159,571	202,201
FARC rent recovery	137,700	-	-	-	-	-	-	-	-	-	-	-	-	137,700	137,596
Rental income	5,434	-	-	-	-	-	92,213	156,467	-	-	-	-	-	254,114	135,048
Interest income	22,603	-	-	-	-	-	-	-	-	-	-	-	-	22,603	11,551
Miscellaneous income	30,924	-	-	-	-	-	-	-	8,380	-	410	-	7,936	47,651	84,232
Donations	11,612	-	-	8,180	-	-	-	-	-	-	1,033	85	6,240	27,151	21,720
	311,376	-	-	32,795	430	-	92,213	156,467	8,380	-	1,637	85	45,406	648,789	592,348
	7,137,428	524,828	159,842	2,184,496	259,735	155,864	561,695	673,870	174,917	30,500	61,887	475,841	79,529	12,480,431	12,039,251
<b>Expenses:</b>															
Salaries	4,780,182	108,364	-	1,429,088	133,756	88,812	-	-	127,930	18,807	-	237,190	37,590	6,961,719	6,211,163
Benefits	1,169,502	30,086	-	325,325	40,497	23,077	-	-	27,938	4,048	-	68,659	3,621	1,692,755	1,678,511
Future benefits retirement	1,431,200	-	-	-	-	-	-	-	-	-	-	-	-	1,431,200	-
Purchased services	17,674	-	-	18,828	-	-	-	-	496	-	-	-	-	36,998	160,999
Sessional fees	-	-	160,112	-	-	-	-	-	-	-	-	48,000	31,200	239,312	224,120
Supplies and services	835,091	259,325	-	489,281	22,306	18,089	48,333	10,532	14,167	5,336	50,955	70,097	10,286	1,833,798	2,176,617
Equipment expenses	81,731	-	-	1,869	-	-	29,942	-	-	1,225	-	-	-	114,767	73,111
Occupancy costs	513,793	49,685	-	11,025	-	1,428	316,828	478,632	5,507	1,200	773	18,064	-	1,396,935	1,204,361
	8,829,173	447,460	160,112	2,275,415	196,559	131,405	395,103	489,164	176,038	30,616	51,728	442,011	82,697	13,707,483	11,728,883
Excess (deficiency) of revenue over expenses before the undernoted	(1,691,745)	77,368	(270)	(90,919)	63,176	24,458	166,592	184,706	(1,121)	(116)	10,158	33,830	(3,169)	(1,227,052)	310,368
Amortization expense	(162,397)	-	-	-	-	-	(116,878)	-	-	-	-	-	-	(279,275)	(360,607)
Loss on disposal of capital assets	-	-	-	-	-	-	(5,898)	-	-	-	-	-	-	(5,898)	-
Amortized grant revenue	162,397	-	-	-	-	-	-	-	-	-	-	-	-	162,397	238,038
Subsidy repayable	-	(77,368)	-	-	(63,176)	(24,458)	(13,240)	(182,566)	-	-	(10,158)	(33,830)	-	(404,796)	(61,607)
Subsidy repayable - prior year	-	-	-	-	-	-	(18,391)	(68,590)	-	-	-	-	-	(86,981)	-
Excess (deficiency) of revenue over expenses	\$ (1,691,745)	\$ -	\$ (270)	\$ (90,919)	\$ -	\$ -	\$ 12,185	\$ (66,450)	\$ (1,121)	\$ (116)	\$ -	\$ -	\$ (3,169)	\$ (1,841,605)	\$ 126,192