

Financial Statements of

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

Year ended March 31, 2021

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

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### ***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.



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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**

Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 28, 2021

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

## Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
Current assets:		
Cash (note 2)	\$ 2,851,425	\$ 1,927,896
Accounts receivable	64,330	165,187
Other receivables	87,495	87,489
Prepaid expenses and deposits	64,327	36,950
	<u>3,067,577</u>	<u>2,217,522</u>
Restricted cash (note 2)	901,806	360,894
Capital assets (note 3)	2,957,196	3,247,143
	<u>\$ 6,926,579</u>	<u>\$ 5,825,559</u>

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

Current liabilities:		
Accounts payable and accrued liabilities	\$ 262,117	\$ 303,497
Accrued wages and vacation	887,709	701,031
Government remittance payable	134,430	114,574
Accounts payable to provincial ministries	1,513,407	643,450
Deferred revenue	378,566	247,279
Current portion of long-term debt (note 4)	125,585	225,412
	<u>3,301,814</u>	<u>2,235,243</u>
Long-term debt (note 4)	432,986	456,134
Employee future benefit liabilities (note 5)	1,690,800	1,561,000
Deferred capital contributions (note 6)	2,347,654	2,983,371
Net assets (deficiency):		
Capital reserves (note 8)	901,806	360,894
Investment in capital assets (note 7(a))	50,971	55,565
Unrestricted deficiency	(1,799,452)	(1,826,648)
	<u>(846,675)</u>	<u>(1,410,189)</u>
Commitments (note 10)		
Contingency (note 13)		
	<u>\$ 6,926,579</u>	<u>\$ 5,825,559</u>

See accompanying notes to financial statements.

On behalf of the Board

Director 

Director 

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

## Statement of Operations

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Revenue (note 11):		
LHIN funding	\$ 10,547,465	\$ 9,719,524
LHIN one-time funding	341,625	166,675
Ministry of Health funding	1,096,672	930,947
Ministry of Health one-time funding	194,719	7,136
Other government funding	524,915	478,955
	<u>12,705,396</u>	<u>11,303,237</u>
Recoveries and other income:		
Administrative cost recoveries	244,598	266,092
Rental	211,683	221,784
Interest	12,356	25,301
Other	492,405	63,501
	<u>961,042</u>	<u>576,678</u>
	<u>13,666,438</u>	<u>11,879,915</u>
Expenses:		
Salaries and wages	6,626,403	6,626,526
Employee benefits	1,608,868	1,941,964
Employee future benefits (note 5)	129,800	129,800
Purchased psychiatry services	209,811	207,856
Other supplies and services	1,940,153	1,294,920
Occupancy costs and repairs	1,671,746	1,426,358
	<u>12,186,781</u>	<u>11,627,424</u>
Excess of revenue over expenses before the undernoted	1,479,657	252,491
Amortization of capital assets	(289,947)	(286,911)
Amortization of grant revenue	162,378	165,180
Subsidy repayable	(856,147)	(110,689)
Excess of revenue over expenses	<u>\$ 495,941</u>	<u>\$ 20,071</u>

See accompanying notes to financial statements.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Statement of Changes in Net Assets (Deficiency)

Year ended March 31, 2021, with comparative information for 2020

	Externally restricted capital reserves (note 8)	Invested in in capital assets (note 7)	Unrestricted	2021 Total	2020 Total
Balance, beginning of year	\$ 360,894	\$ 55,565	\$ (1,826,648)	\$ (1,410,189)	\$ (1,446,916)
Excess (deficiency) of revenue over expenses	–	(127,569)	623,510	495,941	20,071
Contribution	67,573	–	–	67,573	16,656
Interfund transfer	473,339	–	(473,339)	–	–
Net change in investment in capital assets	–	122,975	(122,975)	–	–
Balance, end of year	\$ 901,806	\$ 50,971	\$ (1,799,452)	\$ (846,675)	\$ (1,410,189)

See accompanying notes to financial statements.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

## Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 495,941	\$ 20,071
Items not involving cash:		
Amortization of deferred capital contributions	(162,378)	(165,180)
Amortization of capital assets	289,947	286,911
Employee future benefits expense	129,800	129,800
Transfer of unamortized deferred capital contributions	(473,339)	-
Change in non-cash operating working capital:		
Accounts receivable	100,857	162,783
Other receivables	(6)	44,463
Prepaid expenses and deposits	(27,377)	34,149
Accounts payable and accrued liabilities	(41,380)	29,550
Accrued wages and vacation	186,678	141,869
Government remittances payable	19,856	(10,939)
Accounts payable to provincial ministries	869,957	75,972
Deferred revenue	131,287	194,500
	<u>1,519,843</u>	<u>943,949</u>
Financing activities:		
Repayment of long-term debt	(122,975)	(121,069)
Increase in deferred capital contributions	-	14,462
	<u>(122,975)</u>	<u>(106,607)</u>
Investing activities:		
Purchase of capital assets	-	(46,415)
Transfers to capital reserves	67,573	16,656
	<u>67,573</u>	<u>(29,759)</u>
Increase in cash	1,464,441	807,583
Cash, beginning of year	2,288,790	1,481,207
Cash, end of year	<u>\$ 3,753,231</u>	<u>\$ 2,288,790</u>
Cash represented by:		
Operating funds	\$ 2,851,425	\$ 1,927,896
Restricted cash	901,806	360,894
	<u>\$ 3,753,231</u>	<u>\$ 2,288,790</u>

See accompanying notes to financial statements.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements

Year ended March 31, 2021

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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) Basis of accounting:

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 Ontario Ministry of Health (the "Ministry")/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 as a component of expenses. 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.

### (b) Revenue recognition:

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

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 1. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

Under various Province of Ontario Acts and Regulations thereto, the Organization is funded primarily in accordance with budget arrangements established by 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, 2021.

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 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.

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	25 and 40 years
Furniture, equipment and other	5 and 10 years

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (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 average remaining service period of active employees covered by the employee benefit plan is 13 years (2020 - 13 years)

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.

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 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 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.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 1. Significant accounting policies (continued):

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

## 2. Cash:

	2021	2020
Cash	\$ 2,851,425	\$ 1,927,896
Restricted cash	901,806	360,894
	<b>\$ 3,753,231</b>	<b>\$ 2,288,790</b>

Restricted cash represents the reserve for future capital replacement

## 3. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 351,366	\$ —	\$ 351,366	\$ 351,366
Buildings:				
25 Front Avenue West	3,989,891	1,994,028	1,995,863	2,155,458
Residential housing	2,637,715	2,078,999	558,716	677,048
Furniture, equipment and other	859,135	807,884	51,251	63,271
	<b>\$ 7,838,107</b>	<b>\$ 4,880,911</b>	<b>\$ 2,957,196</b>	<b>\$ 3,247,143</b>

Cost and accumulated amortization at March 31, 2020 amounted to \$7,838,107 and \$4,590,964, respectively.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 4. Long-term debt:

	2021	2020
Mortgages payable	\$ 558,571	\$ 681,546
Less: current portion of mortgages payable	125,585	225,412
Balance, end of year	\$ 432,986	\$ 456,134

Mortgages payable are secured by first mortgages on land and buildings. Interest rates range from 1.04% to 5.755%. Maturity dates range from May 2021 to July 2025.

A mortgage was renewed subsequent to year-end at a rate of 1.10% with a maturity of May 2025.

Principal due on the long-term debt is as follows:

2022	\$ 125,585
2023	333,535
2024	66,546
2025	28,120
2026	4,785
	\$ 558,571

Interest on long-term debt in the amount of \$14,085 (2020 - \$17,611) is included in occupancy costs and repairs on the Statement of Operations.

## 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 was 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, 2021 the Organization's accrued benefit liabilities relating to post-retirement and post-employment benefit plans are \$1,690,800 (2020 - \$1,561,000).

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 5. Employee future benefit obligations (continued):

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

	2021	2020
Accrued benefits obligation, beginning of year	\$ 1,516,700	\$ 1,386,900
Current service cost	115,200	116,200
Interest on accrued benefits	51,700	45,900
Benefits payments	(33,700)	(32,300)
Accrued benefits obligation, end of year	1,649,900	1,516,700
Unamortized actuarial experience gain	40,900	44,300
Accrued employee future benefits liability, end of year	\$ 1,690,800	\$ 1,561,000

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, 2021

## 6. Deferred capital contributions:

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

	2021	2020
Balance, beginning of year	\$ 2,983,371	\$ 3,134,089
Add: receipt of deferred capital contributions	-	14,462
Less: amortization of deferred capital contributions	(162,378)	(165,180)
Less: transfer of unamortized capital contributions	(473,339)	-
<b>Balance, end of year</b>	<b>\$ 2,347,654</b>	<b>\$ 2,983,371</b>

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

	2021	2020
Unamortized capital contributions	\$ 2,347,654	\$ 2,510,032
Unspent insurance proceeds - King Street West property	-	473,339
	<b>\$ 2,347,654</b>	<b>\$ 2,983,371</b>

## 7. Invested in capital assets:

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

	2021	2020
Capital assets	\$ 2,957,196	\$ 3,247,143
Amounts financed by:		
Deferred contributions	(2,347,654)	(2,510,032)
Mortgages	(558,571)	(681,546)
	<b>\$ 50,971</b>	<b>\$ 55,565</b>

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

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

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

	2021	2020
Excess of revenue over expenses:		
Amortization of deferred capital contributions related to capital assets	\$ 162,378	\$ 165,180
Amortization of capital assets	(289,947)	(286,911)
	(127,569)	(121,731)
Net change in investment in capital assets:		
Repayment of long-term debt	122,975	121,069
Purchase of capital assets	-	46,415
Amounts funding by capital contributions	-	(14,462)
	122,975	153,022
	\$ (4,594)	\$ 31,291

## 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.

	2021	2020
Balance, beginning of year	\$ 360,894	\$ 344,238
Contribution from operations:		
Approved operating surplus allocation	50,000	-
Ministry contribution	17,573	16,656
	67,573	16,656
Transfer from operations:		
Insurance proceeds – King Street West property	473,339	-
Balance, end of year	\$ 901,806	\$ 360,894

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 9. Pension plan contributions:

Substantially all of the employees of the Organization are members of the Healthcare of Ontario Pension Plan (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.

Contributions to the Plan made during the year by the Organization on behalf of its employees amounts to \$473,661 (2020 - \$510,494) 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 2020 Annual Report as at December 31, 2020 indicates the plan is fully funded at 119%.

## 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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2022	\$	165,383
2023		148,073
2024		116,954
2025		109,161
2026		109,161
Thereafter		127,355
	\$	776,087

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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.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 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.

## 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, 2021 (2020 - undrawn).

The Organization has an operating line of credit with an authorized limit of \$400,000. The line of credit 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. The line of credit was undrawn as at March 31, 2021 (2020 - undrawn).

## 13. Contingency:

Healthcare Insurance Reciprocal of Canada ("HIROC" or the "Reciprocal") was formed in 1987 as an insurance reciprocal pursuant to the Insurance Act of Ontario. The Reciprocal is licensed in Ontario, Manitoba, Newfoundland and Labrador, Saskatchewan, Alberta, Nova Scotia, Northwest Territories, Yukon and Nunavut. It facilitates the exchange of reciprocal contracts of insurance among its subscribers, which are not-for-profit Canadian health care organizations. Since 1987 coverage has been provided for health care liability risks and during 2003 coverage was extended to include property risks.

The Financial Services Commission of Ontario and the Insurance Act of Ontario require that the Reciprocal maintain a surplus of assets over liabilities.

Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. There are no such assessments payable to HIROC as at March 31, 2021.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 13. Contingency (continued):

Since its inception in 1987 HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no such distributions receivable from HIROC as at March 31, 2021.

## 14. 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. As at March 31, 2021, the Organization's current liabilities exceeded its current assets by \$234,237 (2020 - \$17,721). 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, 2021 is \$Nil (2020 - \$Nil).

Cash is held with reputable financial institutions.

### (c) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Organization is exposed, through its variable rate credit facilities, to interest rate risk. The Organization is also exposed to a fair value risk due to its fixed-rate long-term debt arrangements.

There has been no change to the risk exposures from 2020.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 15. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

At the time of approval of these financial statements, the Organization has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- Increased costs related to the purchase of materials and supplies
- Closure of administrative and non-essential services within which it operates based on Public Health recommendations
- Mandatory working from home requirements for those able to do so
- Continuous re-evaluation of the team's work assignments
- Mandatory on-site client and staff screening and tracking protocols

The Organization received \$400,908 of COVID-19 relief funding in the form of pandemic pay, rapid access and fall preparedness. Of the amount received, \$59,750 was unspent and is recorded as a component of accounts payable to provincial ministries on the Statement of Financial Position, \$151,000 has been approved to be carried forward into fiscal 2022 and is recorded as a component of deferred revenue on the Statement of Financial Position, and the remaining balance of \$190,158 is recorded as LHIN one-time funding on the Statement of Operations.

The Organization continues to respond to the pandemic and plan for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Organization has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.

# LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

## Schedule 1 - Financial Summary

Year ended March 31, 2021, with comparative information for 2020

	LHIN FUNDED					Ministry Funded							2021 YTD	
	Mental Health Base Funded	Mental Health One-Time	Sessional Fees	Addictions Base Funded	Problem Gambling	MOHLTC Supportive Housing	MOHLTC Rent Supps	MOHLTC One-Time	PAR	DAP	United Way	UCLG		Other FT3
<b>Revenue:</b>														
Funding: LHIN	\$ 7,423,354	\$ -	\$ 166,286	\$ 2,798,950	\$ 158,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,547,465
LHIN one time	249,908	52,521	-	39,196	-	-	-	-	-	-	-	-	-	341,625
Funding: MOHLTC	-	-	-	-	-	470,396	626,276	-	-	-	-	-	-	1,096,672
MOHLTC one time	-	-	-	-	-	-	-	194,719	-	-	-	-	-	194,719
Other government funding	-	-	-	-	-	-	-	-	202,731	33,000	15,011	174,737	99,436	524,915
	7,673,262	52,521	166,286	2,838,146	158,875	470,396	626,276	194,719	202,731	33,000	15,011	174,737	99,436	12,705,396
External recoveries	106,898	-	-	-	-	-	-	-	-	-	-	-	-	106,898
FARC rent recovery	137,700	-	-	-	-	-	-	-	-	-	-	-	-	137,700
Rental income	-	-	-	-	-	104,581	107,102	-	-	-	-	-	-	211,683
Interest Revenue	12,356	-	-	-	-	-	-	-	-	-	-	-	-	12,356
Internal Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	3,382	-	-	7,284	-	473,339	-	-	5,770	-	830	-	-	490,605
Donations	1,800	-	-	-	-	-	-	-	-	-	-	-	-	1,800
Total other revenue	262,136	-	-	7,284	-	577,920	107,102	-	5,770	-	830	-	-	961,042
<b>Total revenue</b>	<b>7,935,398</b>	<b>52,521</b>	<b>166,286</b>	<b>2,845,430</b>	<b>158,875</b>	<b>1,048,316</b>	<b>733,378</b>	<b>194,719</b>	<b>208,501</b>	<b>33,000</b>	<b>15,841</b>	<b>174,737</b>	<b>99,436</b>	<b>13,666,438</b>
<b>Expenses:</b>														
Salaries	4,862,830	-	-	1,243,682	102,814	-	-	-	115,318	7,842	-	58,050	53,191	6,443,727
Benefits	1,198,035	-	-	334,637	25,761	-	-	-	28,956	634	-	15,629	5,216	1,608,868
Future benefits retirement	96,389	-	-	30,841	2,570	-	-	-	-	-	-	-	-	129,800
Purchased services	69,680	-	-	112,500	-	-	-	-	496	-	-	-	-	182,676
Sessional fees	-	-	161,811	-	-	-	-	-	-	-	-	48,000	-	209,811
Supplies and services	816,640	52,521	-	674,471	13,060	62,737	14,896	58,088	11,295	5,428	15,841	13,835	16,689	1,755,501
Equipment expenses	163,492	-	-	-	-	15,078	2,526	2,356	-	1,200	-	-	-	184,652
Occupancy costs	541,252	-	-	53,062	3,376	375,271	611,792	72,479	7,292	1,344	-	4,140	1,738	1,671,746
	7,748,318	52,521	161,811	2,449,193	147,581	453,086	629,214	132,923	163,357	16,448	15,841	139,654	76,834	12,186,781
Excess of revenue over expenses before the undernoted	187,080	-	4,475	396,237	11,294	595,230	104,164	61,796	45,144	16,552	-	35,083	22,602	1,479,657
Amortization expense	(171,616)	-	-	-	-	(118,331)	-	-	-	-	-	-	-	(289,947)
Amortized grant revenue	162,378	-	-	-	-	(3,560)	(104,164)	(61,796)	(45,144)	(16,552)	-	(35,083)	-	162,378
Subsidy Repayable	(177,842)	-	(4,475)	(396,237)	(11,294)	(3,560)	(104,164)	(61,796)	(45,144)	(16,552)	-	(35,083)	-	(856,147)
<b>Excess of revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 473,339</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,602</b>	<b>\$ 495,941</b>