

Financial Statements of

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

Year ended March 31, 2022

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Table of Contents

Year ended March 31, 2022

	Page
Independent Auditors' Report	
Financial Statements:	
Statement of Financial Position	1
Statement of Operations	2
Statement of Changes in Net Assets (Deficiency)	3
Statement of Cash Flows	4
Notes to Financial Statements	5
Schedule 1 - Financial Summary	17



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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, 2022
- the statement of operations for the year then ended
- the statement of changes in net assets (deficiency) 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, 2022, 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 ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.



Page 2

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.



Page 3

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 27, 2022

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Statement of Financial Position

March 31, 2022, with comparative information for 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 3,289,631	\$ 2,851,425
Accounts receivable	83,746	64,330
Other receivables	144,379	87,495
Prepaid expenses and deposits	118,501	64,327
	<u>3,636,257</u>	<u>3,067,577</u>
Restricted cash (note 2)	920,404	901,806
Capital assets (note 3)	2,688,328	2,957,196
	<u>\$ 7,244,989</u>	<u>\$ 6,926,579</u>
Liabilities, Deferred Contributions and Net Assets (Deficiency)		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 434,812	\$ 262,117
Accrued wages and vacation	563,286	887,709
Government remittance payable	165,546	134,430
Accounts payable to provincial ministries	2,292,647	1,513,407
Deferred revenue	437,196	378,566
Current portion of long-term debt (note 4)	128,564	125,585
	<u>4,022,051</u>	<u>3,301,814</u>
Long-term debt (note 4)	304,650	432,986
Employee future benefit liabilities (note 5)	225,300	1,690,800
Deferred capital contributions (note 6)	2,210,534	2,347,654
Net assets (deficiency):		
Capital reserves (note 8)	920,404	901,806
Investment in capital assets (note 7(a))	44,580	50,971
Unrestricted deficiency	(482,530)	(1,799,452)
	<u>482,454</u>	<u>(846,675)</u>
Commitments (note 10)		
Contingency (note 13)		
	<u>\$ 7,244,989</u>	<u>\$ 6,926,579</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, 2022, with comparative information for 2021

	2022	2021
Revenue (note 11):		
Ontario Health funding	\$ 10,545,063	\$ 10,547,465
Ontario Health one-time funding	203,521	341,625
Ministry of Health funding	1,175,107	1,096,672
Ministry of Health one-time funding	–	194,719
Other government funding	584,693	524,915
	<u>12,508,384</u>	<u>12,705,396</u>
Recoveries and other income:		
Administrative cost recoveries	290,221	244,598
Rental	231,976	211,683
Interest	15,948	12,356
Other	108,427	492,405
	<u>646,572</u>	<u>961,042</u>
	<u>13,154,956</u>	<u>13,666,438</u>
Expenses:		
Salaries and wages	6,561,579	6,626,403
Employee benefits	1,859,905	1,608,868
Employee future benefits (recovery) (note 5)	(1,465,500)	129,800
Purchased psychiatry services	159,485	209,811
Other supplies and services	1,743,929	1,940,153
Occupancy costs and repairs	1,547,719	1,671,746
	<u>10,407,117</u>	<u>12,186,781</u>
Excess of revenue over expenses before the undernoted	2,747,839	1,479,657
Amortization of capital assets	(297,087)	(289,947)
Amortization of grant revenue	165,339	162,378
Subsidy repayable	(1,305,560)	(856,147)
Excess of revenue over expenses	<u>\$ 1,310,531</u>	<u>\$ 495,941</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, 2022, with comparative information for 2021

	Externally restricted capital reserves (note 8)	Invested in in capital assets (note 7)	Unrestricted	2022 Total	2021 Total
Balance, beginning of year	\$ 901,806	\$ 50,971	\$ (1,799,452)	\$ (846,675)	\$ (1,410,189)
Excess (deficiency) of revenue over expenses	–	(131,748)	1,442,279	1,310,531	495,941
Contribution	18,598	–	–	18,598	67,573
Net change in investment in capital assets	–	125,357	(125,357)	–	–
Balance, end of year	\$ 920,404	\$ 44,580	\$ (482,530)	\$ 482,454	\$ (846,675)

See accompanying notes to financial statements.

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Statement of Cash Flows

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

	2022	2021
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 1,310,531	\$ 495,941
Items not involving cash:		
Amortization of deferred capital contributions	(165,339)	(162,378)
Amortization of capital assets	297,087	289,947
Employee future benefits (recovery) expense	(1,465,500)	129,800
Transfer of unamortized deferred capital contributions	–	(473,339)
Change in non-cash operating working capital:		
Accounts receivable	(19,416)	100,857
Other receivables	(56,884)	(6)
Prepaid expenses and deposits	(54,174)	(27,377)
Accounts payable and accrued liabilities	172,695	(41,380)
Accrued wages and vacation	(324,423)	186,678
Government remittances payable	31,116	19,856
Accounts payable to provincial ministries	779,240	869,957
Deferred revenue	58,630	131,287
	563,563	1,519,843
Financing activities:		
Repayment of long-term debt	(125,357)	(122,975)
Receipt of deferred capital contributions	28,219	–
	(97,138)	(122,975)
Investing activities:		
Purchase of capital assets	(28,219)	–
Transfers to capital reserves	18,598	67,573
	(9,621)	67,573
Increase in cash	456,804	1,464,441
Cash, beginning of year	3,753,231	2,288,790
Cash, end of year	\$ 4,210,035	\$ 3,753,231
Cash represented by:		
Operating funds	\$ 3,289,631	\$ 2,851,425
Restricted cash	920,404	901,806
	\$ 4,210,035	\$ 3,753,231

See accompanying notes to financial statements.

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements

Year ended March 31, 2022

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")/Ontario Health ("OH"). 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, 2022

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, 2022.

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, 2022

1. Significant accounting policies (continued):

(c) Capital assets (continued):

The carrying value of an item of capital assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value. Capital assets have been reviewed for full or partial impairment. Management has determined there are none.

(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 Nil years (2021 - 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.

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

1. Significant accounting policies (continued):

(f) Financial instruments (continued):

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. Actual results could differ from those estimates.

2. Cash:

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, 2022

3. Capital assets:

	Cost	Accumulated amortization	2022 Net book value	2021 Net book value
Land	\$ 351,366	\$ –	\$ 351,366	\$ 351,366
Buildings:				
25 Front Avenue West	3,989,892	2,153,624	1,836,268	1,995,863
Residential housing	2,637,715	2,204,356	433,359	558,716
Furniture, equipment and other	887,353	820,018	67,335	51,251
	\$ 7,866,326	\$ 5,177,998	\$ 2,688,328	\$ 2,957,196

Cost and accumulated amortization at March 31, 2021 amounted to \$7,838,107 and \$4,880,911, respectively.

4. Long-term debt:

	2022	2021
Mortgages payable	\$ 433,214	\$ 558,571
Less: current portion of mortgages payable	128,564	125,585
Balance, end of year	\$ 304,650	\$ 432,986

Mortgages payable are secured by first mortgages on land and buildings. Interest rates range from 1.04% to 5.755%. Maturity dates range from June 2022 to December 2026.

A mortgage was renewed subsequent to year-end at a rate of 1.10% with a maturity of June 2026.

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

2023	\$ 128,564
2024	92,661
2025	54,187
2026	31,690
2027	126,112
	\$ 433,214

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

4. Long-term debt (continued):

Interest on long-term debt in the amount of \$11,490 (2021 - \$14,085) is included in occupancy costs and repairs on the Statement of Operations.

5. Employee future benefit obligations:

In 2019, the Organization implemented extended health care and dental benefits to certain employees. In 2022, these benefits were renegotiated, with only retirees eligible under the new plan. Plan changes are recorded in the year the plan is amended. 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 March 31, 2022. The next valuation of the plan is effective March 31, 2025.

At March 31, 2022 the Organization's accrued benefit liabilities relating to post-retirement and post-employment benefit plans are \$225,300 (2021 - \$1,690,800).

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

	2022	2021
Accrued benefits obligation, beginning of year	\$ 1,649,900	\$ 1,516,700
Settlement related to plan change	(1,625,400)	-
Current service cost	118,900	115,200
Interest on accrued benefits	56,000	51,700
Actuarial experience	61,600	-
Benefits payments	(39,100)	(33,700)
Accrued benefits obligation, end of year	221,900	1,649,900
Unamortized actuarial experience gain	3,400	40,900
Accrued employee future benefits liability, end of year	\$ 225,300	\$ 1,690,800

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

5. Employee future benefit obligations (continued):

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

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.

	2022	2021
Balance, beginning of year	\$ 2,347,654	\$ 2,983,371
Add: receipt of deferred capital contributions	28,219	–
Less: amortization of deferred capital contributions	(165,339)	(162,378)
Less: transfer of unamortized capital contributions	–	(473,339)
Balance, end of year	\$ 2,210,534	\$ 2,347,654

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

	2022	2021
Unamortized capital contributions	\$ 2,210,534	\$ 2,347,654
Unspent contributions	–	–
	\$ 2,210,534	\$ 2,347,654

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

7. Invested in capital assets:

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

	2022	2021
Capital assets	\$ 2,688,328	\$ 2,957,196
Amounts financed by:		
Deferred contributions	(2,210,534)	(2,347,654)
Mortgages	(433,214)	(558,571)
	\$ 44,580	\$ 50,971

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

	2022	2021
Excess of revenue over expenses:		
Amortization of deferred capital contributions related to capital assets	\$ 165,339	\$ 162,378
Amortization of capital assets	(297,087)	(289,947)
	(131,748)	(127,569)
Net change in investment in capital assets:		
Repayment of long-term debt	125,357	122,975
Purchase of capital assets	(28,219)	-
Amounts funded by capital contributions	28,219	-
	125,357	122,975
	\$ (6,391)	\$ (4,594)

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

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.

	2022	2021
Balance, beginning of year	\$ 901,806	\$ 360,894
Contribution from operations:		
Approved operating surplus allocation	–	50,000
Ministry contribution	18,598	17,573
	18,598	67,573
Transfer from operations:		
Insurance proceeds – King Street West property	–	473,339
Balance, end of year	\$ 920,404	\$ 901,806

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 \$514,928 (2021 - \$473,661) 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 2021 Annual Report as at December 31, 2021 indicates the plan is fully funded at 120%.

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

10. Commitments:

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

2023	\$	236,159
2024		123,354
2025		109,161
2026		109,161
2027		109,161
Thereafter		18,194
	\$	705,190

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.

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, 2022 (2021 - 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, 2022 (2021 - undrawn).

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

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, 2022.

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, 2022.

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, 2022, the Organization’s current liabilities exceeded its current assets by \$385,794 (2021 - \$234,237). 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.

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Notes to Financial Statements (continued)

Year ended March 31, 2022

14. Financial risks and concentration of credit risk:

(b) Credit risk (continued):

The balance in the allowance for doubtful accounts at March 31, 2022 is \$Nil (2021 - \$Nil).

(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 2021.

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 continues to respond to the pandemic and plan for continued operational and financial impacts during the 2023 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, 2022

	ONTARIO HEALTH FUNDED					Ministry Funded							2022 YTD	
	Mental Health Base Funded	Mental Health One-Time	Sessional Fees	Addictions Base Funded	Problem Gambling	MOHLTC Rent Supps	MOHLTC Supportive Housing	MOHLTC One-Time	PAR	DAP	United Way	UCLG		Other FT3
Revenue:														
Funding: LHIN	\$ 7,443,479	\$ -	\$ 163,884	\$ 2,798,950	\$ 138,750	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,545,063
LHIN one time	151,000	52,521	-	-	-	-	-	-	-	-	-	-	-	203,521
Funding: MOHLTC	-	-	-	-	-	714,163	460,944	-	-	-	-	-	-	1,175,107
MOHLTC one time	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other government funding	-	-	-	-	-	-	-	-	178,432	33,000	51,175	170,518	151,568	584,693
	7,594,479	52,521	163,884	2,798,950	138,750	714,163	460,944	-	178,432	33,000	51,175	170,518	151,568	12,508,384
External recoveries	163,081	-	-	-	-	-	-	-	-	-	-	-	-	163,081
FARC rent recovery	127,140	-	-	-	-	-	-	-	-	-	-	-	-	127,140
Rental income	-	-	-	-	-	117,438	114,538	-	-	-	-	-	-	231,976
Interest Revenue	15,948	-	-	-	-	-	-	-	-	-	-	-	-	15,948
Internal Recoveries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous income	7,418	-	-	-	-	-	95	-	13,860	15,989	935	7,000	1,312	46,609
Donations	-	-	-	-	-	-	-	-	-	-	-	-	61,818	61,818
Total other revenue	313,587	-	-	-	-	117,438	114,633	-	13,860	15,989	935	7,000	63,130	646,572
Total revenue	7,908,066	52,521	163,884	2,798,950	138,750	831,601	575,577	-	192,292	48,989	52,110	177,518	214,698	13,154,956
Expenses:														
Salaries	4,897,642	-	-	1,159,054	69,131	-	-	-	130,286	11,980	-	88,059	44,431	6,400,583
Benefits	1,464,682	-	-	301,223	22,725	-	-	-	38,843	2,040	-	24,171	6,221	1,859,905
Future benefits retirement	(1,431,752)	-	-	(31,152)	(2,596)	-	-	-	-	-	-	-	-	(1,465,500)
Purchased services	48,000	-	-	112,500	-	-	-	-	496	-	-	-	-	160,996
Sessional fees	-	-	111,485	-	-	-	-	-	-	-	-	48,000	-	159,485
Supplies and services	639,994	-	-	748,784	14,074	17,936	51,322	-	13,499	4,280	16,637	10,686	8,364	1,525,576
Equipment expenses	216,543	-	-	610	-	-	-	-	-	1,200	-	-	-	218,353
Occupancy costs	474,588	52,521	-	41,044	2,537	629,739	332,126	-	6,056	1,200	-	6,602	1,306	1,547,719
	6,309,697	52,521	111,485	2,332,063	105,871	647,675	383,448	-	189,180	20,700	16,637	177,518	60,322	10,407,117
Excess of revenue over expenses before the undernoted	1,598,369	-	52,399	466,887	32,879	183,926	192,129	-	3,112	28,289	35,473	-	154,376	2,747,839
Amortization expense	(171,730)	-	-	-	-	-	(125,357)	-	-	-	-	-	-	(297,087)
Amortized grant revenue	165,339	-	-	-	-	-	-	-	-	-	-	-	-	165,339
Subsidy Repayable	(386,078)	-	(52,399)	(466,887)	(32,879)	(183,926)	(66,772)	-	(3,112)	(28,289)	(35,473)	-	(49,745)	(1,305,560)
Excess of revenue over expenses	\$ 1,205,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 104,631	\$ 1,310,531