Financial Statements of

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Year ended March 31, 2023

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

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INDEPENDENT AUDITOR'S 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, 2023
- 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, 2023, 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 "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's 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.

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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 26, 2023

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Statement of Financial Position

March 31, 2023, with comparative information for 2022

	2023	2022
Assets		
Current assets:		
Cash	$ 3,450,816	$ 3,289,631
Accounts receivable	74,744	83,746
Other receivables	105,183	144,379
Prepaid expenses and deposits	58,174	118,501
	3,688,917	3,636,257
Restricted cash (note 2)	1,055,997	920,404
Capital assets (note 3)	2,532,851	2,688,328
	$ 7,277,765	$ 7,244,989
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 184,408	$ 434,812
Accrued wages and vacation	742,287	563,286
Government remittance payable	76,415	165,546
Accounts payable to provincial ministries	2,755,348	2,292,647
Deferred revenue	189,710	437,196
Current portion of long-term debt (note 4)	98,769	128,564
	4,046,937	4,022,051
Long-term debt (note 4)	206,961	304,650
Employee future benefit liabilities (note 5)	197,900	225,300
Deferred capital contributions (note 6)	2,187,045	2,210,534
Net assets (deficiency):		
Capital reserves (note 8)	1,055,997	920,404
Investment in capital assets (note 7(a))	40,076	44,580
Unrestricted deficiency	(457,151)	(482,530)
	638,922	482,454
Commitments (note 10)		
Contingencies (note 13)		
	$ 7,277,765	$ 7,244,989

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, 2023, with comparative information for 2022

	2023	2022
Revenue (note 11):		
Ontario Health funding	$ 10,645,162	$ 10,545,063
Ontario Health one-time funding	69,047	203,521
Ministry of Health funding	1,172,252	1,175,107
Other government funding	666,213	584,693
	12,552,674	12,508,384
Recoveries and other income:		
Administrative cost recoveries	217,041	290,221
Rental	263,460	231,976
Interest	121,089	15,948
Other	107,028	108,427
	708,618	646,572
	13,261,292	13,154,956
Expenses:		
Salaries and wages	6,802,435	6,561,579
Employee benefits	2,160,261	1,859,905
Employee future benefits (recovery) (note 5)	(27,400)	(1,465,500)
Purchased psychiatry services	151,000	159,485
Other supplies and services	1,757,651	1,743,929
Occupancy costs and repairs	1,794,174	1,547,719
	12,638,121	10,407,117
Excess of revenue over expenses before the undernoted	623,171	2,747,839
Amortization of capital assets	(301,752)	(297,087)
Amortization of grant revenue	167,684	165,339
Subsidy repayable	(468,228)	(1,305,560)
Excess of revenue over expenses	$ 20,875	$ 1,310,531

See accompanying notes to financial statements.

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Statement of Changes in Net Assets

Year ended March 31, 2023, with comparative information for 2022

	Externally restricted capital reserves (note 8)	Invested in in capital assets (note 7)	Unrestricted	2023 Total	2022 Total
Balance, beginning of year	$ 920,404	$ 44,580	$ (482,530)	$ 482,454	$ (846,675)
Excess (deficiency) of revenue over expenses	–	(134,068)	154,943	20,875	1,310,531
Contributions	135,593	–	–	135,593	18,598
Net change in investment in capital assets	–	129,564	(129,564)	–	–
Balance, end of year	$ 1,055,997	$ 40,076	$ (457,151)	$ 638,922	$ 482,454

See accompanying notes to financial statements.

LANARK, LEEDS AND GRENVILLE ADDICTIONS AND MENTAL HEALTH

Statement of Cash Flows

Year ended March 31, 2023, with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 20,875	$ 1,310,531
Items not involving cash:		
Amortization of deferred capital contributions	(167,684)	(165,339)
Amortization of capital assets	301,752	297,087
Employee future benefits	(27,400)	(1,465,500)
Change in non-cash operating working capital:		
Accounts receivable	9,002	(19,416)
Other receivables	39,196	(56,884)
Prepaid expenses and deposits	60,327	(54,174)
Accounts payable and accrued liabilities	(250,405)	172,695
Accrued wages and vacation	179,001	(324,423)
Government remittances payable	(89,131)	31,116
Accounts payable to provincial ministries	462,701	779,240
Deferred revenue	(247,486)	58,630
	290,748	563,563
Financing activities:		
Repayment of long-term debt	(127,484)	(125,357)
Receipt of deferred capital contributions	144,195	28,219
	16,711	(97,138)
Investing activities:		
Purchase of capital assets	(146,275)	(28,219)
Contributions to capital reserves	135,594	18,598
	(10,681)	(9,621)
Increase in cash	296,778	456,804
Cash, beginning of year	4,210,035	3,753,231
Cash, end of year	$ 4,506,813	$ 4,210,035
Cash represented by:		
Operating funds	$ 3,450,816	$ 3,289,631
Restricted cash	1,055,997	920,404
	$ 4,506,813	$ 4,210,035

See accompanying notes to financial statements.

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.

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, 2023.

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

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 (2022 - 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.

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.

3. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 351,366	$ –	$ 351,366	$ 351,366
Buildings:				
25 Front Avenue West	3,989,892	2,313,221	1,676,671	1,836,268
Residential housing	2,637,715	2,331,985	305,730	433,359
Furniture, equipment and other	1,033,629	834,545	199,084	67,335
	$ 8,012,602	$ 5,479,751	$ 2,532,851	$ 2,688,328

Cost and accumulated amortization at March 31, 2022 amounted to $7,866,326 and $5,177,998, respectively.

4. Long-term debt:

		2023		2022
Mortgages payable	$	305,730	$	433,214
Less: current portion of mortgages payable		98,769		128,564
Balance, end of year	$	206,961	$	304,650

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 2023 to June 2027.

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

2024	$	98,769
2025		60,295
2026		37,798
2027		26,027
2028		82,841
	$	305,730

Interest on long-term debt in the amount of $10,591 (2022 - $11,490) 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, 2023 the Organization's accrued benefit liabilities relating to post-retirement and post-employment benefit plans are $197,900 (2022 - $225,300).

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

	2023	2022
Accrued benefits obligation, beginning of year	$ 225,300	$ 1,649,900
Settlement related to plan change	–	(1,625,400)
Current service cost	–	118,900
Interest on accrued benefits	7,200	56,000
Actuarial experience	(14,100)	61,600
Benefits payments	(20,500)	(39,100)
Accrued benefits obligation, end of year	197,900	221,900
Unamortized actuarial experience gain (loss)	–	3,400
Accrued employee future benefits liability, end of year	$ 197,900	$ 225,300

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

Discount rate	3.40% per annum
Discount rate to determine accrued benefit obligation for disclosure at end of period	4.40% per annum
Dental benefits escalation	3.00% per annum until 2026, increasing 0.32% per annum until 2031, then decreasing by 0.12% per annum to an ultimate rate of 3.57% per annum
Health benefits escalation	5.70% per annum until 2026, decreasing by 0.22% 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.

	2023	2022
Balance, beginning of year	$ 2,210,534	$ 2,347,654
Add: receipt of deferred capital contributions	144,195	28,219
Less: amortization of deferred capital contributions	(167,684)	(165,339)
Balance, end of year	$ 2,187,045	$ 2,210,534

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

	2023	2022
Unamortized capital contributions	$ 2,187,045	$ 2,210,534
Unspent contributions	–	–
	$ 2,187,045	$ 2,210,534

7. Invested in capital assets:

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

	2023	2022
Capital assets	$ 2,532,851	$ 2,688,328
Amounts financed by:		
Deferred contributions	(2,187,045)	(2,210,534)
Mortgages	(305,730)	(433,214)
	$ 40,076	$ 44,580

7. Invested in capital assets (continued):

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

	2023	2022
Excess of revenue over expenses:		
Amortization of deferred capital contributions related to capital assets	$ 167,684	$ 165,339
Amortization of capital assets	(301,752)	(297,087)
	(134,068)	(131,748)
Net change in investment in capital assets:		
Repayment of long-term debt	127,484	125,357
Purchase of capital assets	146,275	28,219
Amounts funded by capital contributions	(144,195)	(28,219)
	129,564	125,357
	$ (4,504)	$ (6,391)

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.

	2023	2022
Balance, beginning of year	$ 920,404	$ 901,806
Contribution from operations:		
Ministry contribution	135,593	18,598
Balance, end of year	$ 1,055,997	$ 920,404

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 $556,551 (2022 - $514,928) 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 2022 Annual Report as at December 31, 2022 indicates the plan is fully funded at 117%.

10. Commitments:

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

2024	$ 237,736
2025	113,982
2026	127,951
2027	109,161
2028	18,194
	$ 607,024

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, 2023 (2022 - 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, 2023 (2022 - undrawn).

13. Contingencies:

(a) 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, 2023.

13. Contingencies (continued):

(a) (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, 2023.

(b) The nature of the Organization's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2023, management believes the Organization has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

(c) During the normal course of operation, the Organization is involved in certain employment related negotiations and has recorded accruals based on management's estimate of potential settlement amounts where these amounts are reasonably determinable.

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, 2023, the Organization's current liabilities exceeded its current assets by $358,020 (2022 - $385,794). 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, 2023 is $Nil (2022 - $Nil).

14. Financial risks and concentration of credit risk (continued):

(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 2022.

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, 2023

	ONTARIO HEALTH FUNDED					Ministry Funded							
	Mental Health Base Funded	Mental Health One-Time	Sessional Fees	Addictions Base Funded	Problem Gambling	MOHLTC Rent Supps	MOHLTC Supportive Housing	PAR	DAP	United Way	UCLG	Other FT3	2023 YTD
Revenue:													
Funding: Ontario Health	$ 7,398,970	$ -	$ 163,884	$ 2,923,432	$ 158,875	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 10,645,161
Funding: Ontario Health one time	-	69,048	-	-	-	-	-	-	-	-	-	-	69,048
Funding: MOHLTC	-	-	-	-	-	708,163	464,089	-	-	-	-	-	1,172,252
Other government funding	-	-	-	-	-	-	-	210,720	33,000	80,002	175,459	167,032	666,213
	7,398,970	69,048	163,884	2,923,432	158,875	708,163	464,089	210,720	33,000	80,002	175,459	167,032	12,552,674
External recoveries	85,232	-	-	2,029	-	-	-	-	-	-	-	-	87,261
FARC rent recovery	129,780	-	-	-	-	-	-	-	-	-	-	-	129,780
Rental income	-	-	-	-	-	161,169	102,291	-	-	-	-	-	263,460
Interest revenue	121,089	-	-	-	-	-	-	-	-	-	-	-	121,089
Miscellaneous income	5,578	-	-	-	-	2,110	100	49,958	6,735	1,045	-	559	66,085
Donations	600	-	-	-	-	-	-	-	-	-	-	40,343	40,943
Total other revenue	342,279	-	-	2,029	-	163,279	102,391	49,958	6,735	1,045	-	40,902	708,618
Total revenue	7,741,249	69,048	163,884	2,925,461	158,875	871,442	566,480	260,678	39,735	81,047	175,459	207,934	13,261,292
Expenses:													
Salaries	4,981,381	-	-	1,229,711	72,355	-	-	147,278	11,365	-	92,518	121,843	6,656,451
Benefits	1,677,616	-	-	347,459	25,021	-	-	44,419	2,290	-	27,298	20,578	2,144,681
Future benefits retirement	(27,400)	-	-	-	-	-	-	-	-	-	-	-	(27,400)
Purchased services	38,000	-	-	119,263	3,162	-	-	1,140	-	-	-	-	161,565
Sessional fees	-	-	151,000	-	-	-	-	-	-	-	-	-	151,000
Supplies and services	462,177	29,543	-	865,395	26,739	14,617	57,364	18,291	4,280	42,310	3,655	3,951	1,528,322
Equipment expenses	160,849	-	-	-	-	1,736	8,767	38,034	1,200	-	18,742	-	229,328
Occupancy costs	476,641	-	-	164,248	7,093	764,513	370,487	6,505	1,200	-	2,253	1,234	1,794,174
Total expenses	7,769,264	29,543	151,000	2,726,076	134,370	780,866	436,618	255,667	20,335	42,310	144,466	147,606	12,638,121
Excess of revenue over expenses before the undernoted	(28,015)	39,505	12,884	199,385	24,505	90,576	129,862	5,011	19,400	38,737	30,993	60,328	623,171
Amortization expense	(174,122)	-	-	-	-	-	(127,630)	-	-	-	-	-	(301,752)
Amortized grant revenue	167,684	-	-	-	-	-	-	-	-	-	-	-	167,684
Subsidy repayable	-	(39,505)	(12,884)	(199,385)	(24,505)	(90,576)	(2,232)	(5,011)	(19,400)	(38,737)	(30,993)	(5,000)	(468,228)
Excess (deficiency) of revenue over expenses	$ (34,453)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 55,328	$ 20,875