

Financial statements of

**North Lambton Community
Health Centre**

March 31, 2017

North Lambton Community Health Centre

March 31, 2017

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Independent Auditor's Report

To the Board of Directors of
North Lambton Community Health Centre

We have audited the accompanying financial statements of North Lambton Community Health Centre, which comprise the statement of financial position as at March 31, 2017, and the statements of changes in net assets, operations and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of North Lambton Community Health Centre as at March 31, 2017, and the results of its operations, and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP


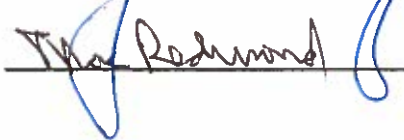
Chartered Professional Accountants
Licensed Public Accountants
June 28, 2017

North Lambton Community Health Centre
Statement of financial position
as at March 31, 2017

	2017 Community Health Program	2017 Capital Reserve Fund	2017 Other Programs Fund	2017 Total	2016 Total
	\$	\$	\$	\$	\$
Assets					
Current assets					
Cash	812,307	29,960	4,719	846,986	424,942
Short-term investments	-	194,258	-	194,258	194,258
Accounts receivable	41,437	-	-	41,437	70,447
Harmonized sales tax receivable	56,552	-	-	56,552	54,891
Prepaid expenses	36,484	-	-	36,484	26,989
	946,780	224,218	4,719	1,175,717	771,527
Capital assets, net of accumulated amortization (Note 2, Schedule 1)	1,249,729	418,122	-	1,667,851	1,880,184
Total Assets	2,196,509	642,340	4,719	2,843,568	2,651,711
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	372,886	-	-	372,886	336,086
Payroll deductions and taxes payable	142,469	-	-	142,469	134,256
Funding repayable to MOHLTC/LHIN (Note 5)	148,255	-	-	148,255	29,717
Deferred revenue and contributions (Note 6)	283,170	-	-	283,170	38,463
Funding repayable to the federal government	-	-	4,172	4,172	4,172
	946,780	-	4,172	950,952	542,694
Deferred capital contributions (Note 7)	1,249,729	418,122	-	1,667,851	1,880,184
Net assets					
Restricted net assets (Note 8)	-	224,218	547	224,765	228,833
	2,196,509	642,340	4,719	2,843,568	2,651,711

** MOHLTC - Ministry of Health and Long-Term Care
LHIN - Local Health Integration Network

Approved by the Board

 Director
 Director

North Lambton Community Health Centre

Statement of changes in net assets year ended March 31, 2017

				2017	2016
	Community Health Program	Capital Reserve Fund	Other Programs Fund	Total	Total
	\$	\$	\$	\$	\$
Net assets, beginning of the year	-	228,286	547	228,833	251,819
(Deficiency) excess of revenue over expenses	-	(4,068)	-	(4,068)	(22,986)
Net assets, end of the year	-	224,218	547	224,765	228,833

The accompanying notes to the financial statements are an integral part of this financial statement.

North Lambton Community Health Centre
 Statement of operations
 year ended March 31, 2017

	2017					2016	
	MOHLTC/LHIN Funding	Diabetes Program	Diabetes Screening	Capital Reserve (restricted)	Other Programs (restricted)	Total	Total
	\$	\$	\$	\$	\$	\$	\$
Revenue							
Core funding	6,682,493	580,623	-	-	-	7,263,116	6,997,767
Transfer Payment Agency funding - rest home and assisted living facility	140,000	-	-	-	-	140,000	163,376
Other government funding and grants	181,900	-	140,000	-	152,909	474,809	353,475
Health Links	-	-	-	-	300,000	300,000	96,567
Deferred revenue from prior year	-	-	-	-	34,085	34,085	38,209
Donations to programs	-	-	-	-	17,517	17,517	11,946
Interest and other income	101,409	-	-	2,351	4,977	108,737	213,436
Uninsured funding	1,000	-	-	-	-	1,000	1,000
One time funding	66,151	-	-	-	490,000	556,151	122,671
Rental income	21,706	-	-	-	-	21,706	26,346
Amortization of deferred capital contributions	244,851	-	-	-	-	244,851	255,443
	7,439,510	580,623	140,000	2,351	999,488	9,161,972	8,280,236
Expenses							
Amortization of capital assets	244,851	-	-	-	-	244,851	255,443
Board and meetings	11,044	-	-	3,753	-	14,797	22,698
Computer supplies	123,865	3,500	-	-	2,500	129,865	122,753
Furniture	80,680	-	-	-	-	80,680	27,903
Health Links expenses	-	-	-	-	202,855	202,855	96,422
Insurance	19,585	-	-	-	-	19,585	20,101
Interest and bank charges	2,170	-	-	-	-	2,170	2,659
Legal and audit	11,122	2,000	-	-	-	13,122	15,837
Medical supplies and Equipment	109,849	-	2,938	-	24,109	135,896	99,375
Memberships and dues	22,981	-	-	-	-	22,981	29,327
Office, postage and printing	56,164	4,116	-	-	-	60,280	53,399
One time funding expense	6,312	-	-	-	-	6,312	132,434
Programs	1,222	-	-	-	-	1,222	1,429
Property taxes	10,950	-	-	-	-	10,950	24,857
Purchased services and consulting	78,824	-	500	-	12,866	92,210	42,302
Recruitment	2,104	-	-	-	-	2,104	4,081
Rent	282,706	8,000	-	-	10,107	300,813	291,372
Repairs and maintenance	79,406	-	-	-	-	79,406	72,189
Resources and materials	15,862	17,380	16,974	2,666	49,869	102,751	83,092
Security	12,575	-	-	-	-	12,575	10,140
Staff development and training	30,402	5,500	-	-	10,495	46,397	41,558
Telephone	65,667	2,853	-	-	2,973	71,493	63,784
Transfer - Aging at Home	140,004	-	-	-	-	140,004	140,004
Transfers to County	23,736	-	-	-	-	23,736	23,736
Travel and transportation	20,194	9,901	622	-	6,162	36,879	34,492
Utilities	50,653	-	-	-	-	50,653	51,852
Wages, benefits and other compensation	5,932,224	527,373	36,246	-	350,055	6,845,899	6,466,899
	7,433,052	580,623	57,280	6,419	672,012	8,750,366	8,260,138
Excess (deficiency) of revenue over expenses, before the undemoted	5,458	-	82,720	(4,068)	327,476	411,586	20,098
Less: revenue deferred to subsequent period	-	-	-	-	283,170	283,170	38,463
Less: amount refundable	5,458	-	82,720	-	44,306	132,484	4,621
Deficiency of revenue over expenses	-	-	-	(4,068)	-	(4,068)	(22,986)

The accompanying notes to the financial statements are an integral part of this financial statement.

North Lambton Community Health Centre

Statement of cash flows year ended March 31, 2017

	2017	2016
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(4,068)	(22,986)
Non-cash transactions		
Amortization of capital assets	244,851	255,443
Amortization of deferred capital contributions	(244,851)	(255,443)
Changes in non-cash working capital		
Accounts receivable	29,010	(51,587)
Harmonized Sales Tax receivable	(1,661)	(1,705)
Prepaid expenses	(9,495)	52,034
Accounts payable and accrued liabilities	69,318	42,550
Payroll deductions and taxes payable	8,213	(132,871)
Funding repayable to MOHLTC/LHIN	118,538	254
Deferred revenue and contributions	244,707	(369,136)
	454,562	(483,447)
Investing activity		
Purchase of capital assets	(32,518)	-
Net change in cash	422,044	(483,447)
Cash, beginning of the year	424,942	908,389
Cash, end of the year	846,986	424,942

The accompanying notes to the financial statements are an integral part of this financial statement.

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2017

1. Purpose of the Organization

North Lambton Community Health Centre ("Organization") is a community based organization providing a wide range of health services to residents of North, West and East Lambton. The Organization operates locations in Forest, and Kettle Point (North Lambton), Sarnia (West Lambton) and Watford (East Lambton) and is primarily funded by the Ontario Ministry of Health and Long-term Care ("MOHLTC") via the Erie St. Clair Local Health Integration Network ("LHIN"). It is incorporated under the laws of the Province of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Mission Statement for the Organization is as follows:

"Working with our communities, we provide primary health care, health promotion, and community development, with a focus on people who face challenges to accessing care."

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund accounting

Revenues and expenses related to Community Health Centre program delivery and administrative activities are reported in the Community Health Program Fund.

The Capital Reserve Fund reports the assets, liabilities, revenues and expenses related to the Organization's discretionary funds and fundraising activities.

The Other Programs Fund reports assets, liabilities, revenues and expenses related to program and volunteer activities not funded by the MOHLTC or the LHIN and/or are funded from a different branch within the MOHLTC.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred.

Unrestricted contributions and pledges are recognized as revenue of the appropriate fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental income

The Organization rents part of its building facilities to other non-profit organizations that provide services to the community. The amount is fully refundable to the MOHLTC/LHIN if not spent.

Contributed services

Volunteers contribute many hours per year to assist the Organization in carrying out its services. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2017

2. Significant accounting policies (continued)

Income taxes

The Organization is a charitable organization registered under the Income Tax Act (the "Act") and as such is exempt from income taxes and is permitted to issue donation receipts for income tax purposes. In order to maintain its status as a charitable organization registered under the Act, the Organization must meet certain requirements within the Act. In the opinion of management these requirements have been met.

Capital assets and amortization

The Organization capitalizes all capital assets with a cost of \$5,000 or more. Amortization is provided at the following rates:

Buildings	50 years straight line basis
Building improvements	straight line basis over the remaining estimated life of the building
Leasehold improvements	straight line basis over the term of the lease and one renewal period where applicable
Equipment	5 years straight line basis
Computer equipment	5 years straight line basis
Medical equipment	5 years straight line basis
Vehicles	5 years straight line basis
Signage	5 years straight line basis

Deferred capital contributions

Deferred capital contributions represent funds received by the Organization for capital asset purchases. Deferred capital contributions are amortized over the life of the corresponding capital asset.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates relate to the expected useful lives of capital assets in determining amortization, estimate of accrued liabilities and providing for amortization of deferred capital contributions.

3. Financial instruments

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Organization is exposed to credit risk on accounts receivable. Due to the nature of its operations, the Organization is exposed to limited credit risk from clients and/or agencies who fail to pay their fees. To reduce this risk, the Organization actively pursues collection of fees on a regular basis.

Fair value

The Organization's carrying value of cash, accounts receivable, accounts payable and accrued liabilities and funding payable to MOHLTC/LHIN approximates its fair value due to the immediate or short-term maturity of these instruments.

The carrying value of the short term investments approximates fair value as the interest rates are consistent with the current rates to the organization for investments with similar terms.

Interest rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Organization manages exposure through its normal operating activities.

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2017

3. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk of being unable to meet a demand for cash or fund obligations as they come due. The Organization manages its liquidity risk by constantly monitoring forecasted and actual cash flow and financial liability maturities.

4. Bank line of credit

The Organization has negotiated a line of credit and a corporate Mastercard to facilitate cash flow requirements and business expenditures in the amount of \$100,000 and \$15,050 respectively.

The Organization has made a general assignment of accounts receivable and provided a general security agreement covering all assets other than real property.

5. Due to Ministry of Health and Long Term Care and Local Health Integration Network

Funding provided by the MOHLTC/LHIN in excess of current year expenditures is repayable by the Organization. At year-end, the balance of current and prior years' surpluses is shown below:

	2017	2016
	\$	\$
Opening balance	29,717	398,853
Deduct: repayments	(13,945)	(373,757)
Refundable surplus for the year		
Community Health Care - MOHLTC/LHIN funded	49,764	4,534
Diabetes screening	82,719	87
Total amount refundable	148,255	29,717

6. Deferred revenue and contributions

Deferred revenue and contributions are restricted revenues and contributions, which have been received but relate to expenses of future periods.

7. Deferred capital contributions

	2017	2016
	\$	\$
Balance beginning of the year	1,880,184	2,135,627
Contributions received during the year for capital purposes	32,518	-
	1,912,702	2,135,627
<u>Amortization of deferred capital contributions</u>	<u>244,851</u>	<u>255,443</u>
Long-term deferred contributions for capital expenditures	1,667,851	1,880,184

Deferred capital contributions represent the unamortized amount of funding received for the purchase of capital assets. The amortization of the deferred capital contributions is recorded as revenue in the statement of operations.

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2017

8. Internally restricted

The Organization's Board of Directors has internally restricted funds totaling \$224,765 (2016 - \$228,286) for capital and other expenditures as approved by the Board at the time of use. There are no unrestricted net assets in either the current or prior year.

9. Lease commitment

The Organization has entered into lease agreements for their premises at Kettle Point, Sarnia and Watford. The Kettle Point lease expired December 31, 2009. The lease continues on a month to month agreed rate until a new lease agreement is signed. No agreement had been reached as of the date of the audit report.

The Sarnia lease is for a five year term ending January 31, 2021 plus operating costs and tax payments that are adjusted annually.

The Watford lease is for a 1 year term renewed April 1, 2017 ending March 31, 2018.

The following is the estimated obligation for the next five years:

	Kettle Point	Sarnia	Watford	Total
	\$	\$	\$	\$
2018	50,733	201,826	9,900	262,459
2019	50,733	201,826		252,559
2020	50,733	201,826		252,559
2021	50,733	201,826		252,559
	202,932	807,304	9,900	1,020,136

In addition, the Organization has entered into other business lease agreements for greater than a one year period. The following is the estimated obligation for the next four years:

	\$
2018	55,045
2019	40,044
2020	33,411
2021	7,603
	136,103

10. Pension plan

Substantially all of the employees of the Organization are eligible to be members of the Hospitals of Ontario Pension Plan, which is a multi-employer final average pay contributory pension plan. As there is insufficient information to apply defined benefit plan accounting, defined contribution plan accounting has been used for the Organization. Employer contributions made to the plan during the fiscal year amounted to \$363,607 (2016 - 326,110) and are included in Wages, benefits and other compensation in the statement of operations. As at December 31, 2016 the Hospitals of Ontario Pension Plan had a surplus of \$15,898,000.

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2017

11. Economic dependence

The Organization received 88.55% of its total revenue for the year ended March 31, 2017 (2016 - 91.87%) from the LHIN and MOHLTC. Without the continued support of these funders it is unlikely that the Organization could continue to operate.

North Lambton Community Health Centre

Schedule of capital assets
year ended March 31, 2017

	Cost		Accumulated amortization		Net book value	
	Opening balance	Closing balance	Opening balance	Closing balance	2017	2016
	\$	\$	\$	\$	\$	\$
Land	256,772	256,772	-	-	256,772	256,772
Building and building improvements	2,024,092	2,024,092	(704,850)	(745,815)	1,278,277	1,319,242
Leasehold improvements	1,074,966	1,074,966	(959,949)	(1,064,472)	10,494	115,017
Equipment	244,395	244,395	(195,631)	(225,758)	18,637	48,763
Computer equipment	96,682	129,200	(90,187)	(94,602)	34,598	6,496
Medical equipment	328,753	328,753	(204,167)	(259,681)	69,072	124,585
Vehicles	67,321	67,321	(62,512)	(67,321)	-	4,809
Signage	28,018	28,018	(23,518)	(28,016)	2	4,500
	4,120,999	4,153,517	(2,240,815)	(2,485,666)	1,667,851	1,880,184