
Financial statements of
**North Lambton Community
Health Centre**

March 31, 2019

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Independent Auditor's Report

To the Board of Directors of
North Lambton Community Health Centre

Opinion

We have audited the financial statements of North Lambton Community Health Centre (the "Organization"), which comprise the statement of financial position as at March 31, 2019, and the statement of changes in net assets, operations and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019, 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 ("ASNPO").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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 (GAAS) 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Company'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 Company'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 Company 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.

We 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.

Deloitte LLP

Chartered Professional Accountants
London Ontario
June 17, 2019



North Lambton Community Health Centre
Statement of financial position
as at March 31, 2019

				2019	2018		
	Notes	Schedules	Community Health Program	Capital Reserve Fund	Other Programs Fund	Total	Total
			\$	\$	\$	\$	\$
Assets							
Current assets							
Cash			871,336	40,870	1,472	913,678	554,655
Short-term Investments			-	194,258	-	194,258	194,258
Accounts receivable			3,239	-	-	3,239	14,828
Harmonized sales tax receivable			86,646	-	-	86,646	91,020
Prepaid expenses			63,150	-	-	63,150	43,046
			1,024,371	235,128	1,472	1,260,971	897,807
Capital assets, net of accumulated amortization	2	1	1,132,090	377,146	-	1,509,236	1,605,381
Total Assets			2,156,461	612,274	1,472	2,770,207	2,503,188
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities			524,852	28,287	-	553,139	319,545
Payroll deductions and taxes payable			187,888	-	-	187,888	78,155
Funding repayable to MOHLTC/LHIN**	5		78,261	-	-	78,261	157,117
Deferred revenue and contributions	6		233,370	-	-	233,370	128,410
Funding repayable to the federal government			-	-	925	925	925
			1,024,371	28,287	925	1,053,583	684,152
Deferred capital contributions	7		1,132,090	377,146	-	1,509,236	1,605,381
Net assets							
Restricted net assets	8		-	206,841	547	207,388	213,655
			2,156,461	612,274	1,472	2,770,207	2,503,188

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

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

Approved by the Board

 Director
 Director

North Lambton Community Health Centre
Statement of changes in net assets
year ended March 31, 2019

				2019	2018
	Community Health Program	Capital Reserve Fund	Other Programs Fund	Total	Total
	\$	\$	\$	\$	\$
Net assets, beginning of the year	-	213,108	547	213,655	224,765
Deficiency of revenue over expenses	-	(6,267)	-	(6,267)	(11,110)
Net assets, end of the year	-	206,841	547	207,388	213,655

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, 2019

	2019				2018	
	MOHLTC/LHIM Funding	Diabetes Program	Diabetes Peer Screening	Capital Reserve (restricted)	Other Programs (restricted)	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Core funding	7,575,932	655,623	-	-	-	8,231,555
Transfer Payment Agency funding	185,000	-	-	-	-	185,000
Other government funding and grants	173,100	-	140,000	-	504,106	817,206
Health Links	206,000	-	-	-	-	206,000
Deferred revenue from prior year	-	-	-	-	128,410	128,410
Donations to programs	-	-	-	-	1,212	1,212
Interest and other income	58,829	-	-	2,358	24,338	85,525
Uninsured funding	1,000	-	-	-	-	1,000
Rental income	-	-	-	-	117,052	117,052
Amortization of deferred capital contributions	96,145	-	-	-	21,626	117,771
	8,317,632	655,623	140,000	2,358	775,118	9,890,731
Expenses						
Amortization of capital assets	96,145	-	-	-	-	96,145
Board and meetings	10,858	-	-	5,729	-	16,687
Computer supplies	197,859	-	-	-	-	197,859
Furniture	58,113	-	-	-	-	58,113
Health Links expenses	61,794	-	-	-	-	61,794
Insurance	22,102	-	-	-	-	22,102
Interest and bank charges	2,757	-	-	-	-	2,757
Legal and audit	13,807	2,000	-	-	-	15,807
Medical supplies and Equipment	77,604	-	1,197	-	25,000	103,801
Memberships and dues	31,069	-	-	-	-	31,069
Offices, postage and printing	60,046	307	-	-	1,823	62,176
One time funding expense	-	-	-	-	-	-
Programs	1,458	-	-	26,644	-	28,102
Property taxes	1,578	-	-	-	-	1,578
Purchased services and consulting	165,173	-	1,500	-	1,610	168,283
Recruitment	12,577	-	-	-	-	12,577
Rent	300,085	12,000	-	-	8,064	320,149
Repairs and maintenance	109,521	22,782	-	-	92,052	224,355
Resources and materials	163,613	-	-	2,896	-	166,509
Security	31,074	-	30,273	-	10,347	71,694
Staff development and training	47,176	5,500	28	-	1,471	54,175
Telephone	64,208	661	977	-	1,822	67,668
Transfer - payment agency expenditure	185,004	-	-	-	-	185,004
Transfers to County	1,376	-	-	-	-	1,376
Travel and transportation	26,247	10,000	2,945	-	5,917	45,109
Utilities	38,752	-	-	-	-	38,752
Wages, benefits and other compensation	6,482,895	602,373	86,883	-	367,998	7,540,149
	8,262,991	655,623	123,803	8,625	542,748	9,593,789
Excess (deficiency) of revenue over expenses, before the undernoted	54,641	-	16,197	(6,267)	232,370	296,941
Less: revenue deferred to subsequent period	-	-	-	-	232,370	232,370
Less: amount refundable (recoverable)	54,641	-	16,197	-	-	70,838
Deficiency of revenue over expenses	-	-	-	(6,267)	-	(6,267)

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, 2019

	2019	2018
	\$	\$
Operating activities		
Deficiency of revenue over expenses	(6,267)	(11,110)
Non-cash transactions		
Amortization of capital assets	96,145	118,152
Amortization of deferred capital contributions	(96,145)	(118,152)
Changes in non-cash working capital		
Accounts receivable	11,589	26,609
Harmonized Sales Tax receivable	4,374	(34,468)
Prepaid expenses	(20,104)	(6,562)
Accounts payable and accrued liabilities	233,594	(53,341)
Payroll deductions and taxes payable	109,733	(64,314)
Funding repayable to MOHLTC/LHIN	(78,856)	8,862
Deferred revenue and contributions	104,960	(154,760)
Funding repayable to the federal government	-	(3,247)
	365,290	(281,221)
Investing activity		
Purchase of capital assets	-	(55,682)
Financing activity		
Increase in deferred contributions	-	55,682
Net change in cash	359,023	(292,331)
Cash, beginning of the year	554,655	846,986
Cash, end of the year	913,678	554,655

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, 2019

1. Purpose of the Organization

North Lambton Community Health Centre (The "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.

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:

Building	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.

3. Financial instruments (continued)

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.

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 \$15,500 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:

	2019	2018
	\$	\$
Opening balance	157,117	148,255
Deduct: repayments	(149,694)	(90,756)
Refundable surplus for the year		
Community Health Care - MOHLTC/LHIN funded	54,641	5,590
Diabetes screening	16,197	74,558
Other funding	-	19,470
Total amount refundable	78,261	157,117

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

	2019	2018
	\$	\$
Balance beginning of the year	1,605,381	1,667,851
Contributions received during the year for capital purposes	-	55,682
	1,605,381	1,723,533
Amortization of deferred capital contributions	96,145	118,152
Balance, end of year	1,509,236	1,605,381

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.

8. Internally restricted

The Organization's Board of Directors has internally restricted funds totaling \$207,388 (2018 - \$213,655) 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 April 30, 2021 plus operating costs and tax payments that are adjusted annually.

The Watford lease is for a 1 year term renewed April 1, 2019 ending March 31, 2020.

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

	Kettle Point	Sarnia	Watford	Total
	\$	\$	\$	\$
2020	50,733	201,826	9,900	262,459
2021	50,733	201,826		252,559
2022	50,733	16,819		67,552
	152,199	420,471	9,900	582,570

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2019

9. Lease commitment (continued)

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 five years and thereafter:

	\$
2020	67,196
2021	67,196
2022	47,196
2023	27,196
2024	25,306
Thereafter	<u>21,615</u>
	<u>255,705</u>

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 \$474,505 (2018 – 401,733) and are included in Wages, benefits and other compensation in the statement of operations. As at December 31, 2018 the Hospitals of Ontario Pension Plan had a surplus of \$13,891,000.

11. Economic dependence

The Organization received 91.7% of its total revenue for the year ended March 31, 2019 (2018 – 93.54%) 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 1

year ended March 31, 2019

	Cost			Accumulated amortization			Net book value	
	Opening balance	Additions	Closing balance	Opening balance	Additions	Closing balance	2019	2018
	\$	\$	\$				\$	\$
Capital assets								
Land	256,772	-	256,772	-	-	-	256,772	256,772
Building and building improvements	2,024,093	-	2,024,093	(786,780)	(44,463)	(831,243)	1,192,850	1,237,313
Leasehold improvements	1,074,965	-	1,074,965	(1,074,965)	-	(1,074,965)	-	-
Equipment	244,395	-	244,395	(244,352)	-	(244,352)	43	43
Computer equipment	129,200	-	129,200	(102,147)	(7,545)	(109,692)	19,508	27,053
Medical equipment	360,542	-	360,542	(300,235)	(39,359)	(339,594)	20,948	60,307
Vehicles	91,214	-	91,214	(67,321)	(4,778)	(72,099)	19,115	23,893
Signage	28,018	-	28,018	(28,018)	-	(28,018)	-	-
	4,209,199	-	4,209,199	(2,603,818)	(96,145)	(2,699,963)	1,509,236	1,605,381