
Financial statements of
North Lambton Community
Health Centre

March 31, 2020

Independent Auditor's Report	1-2
Statement of financial position	3
Statement of changes in net assets	4
Statement of operations	5
Statement of cash flows	6
Notes to the financial statements	7-12
Schedule 1	13

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, 2020, 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 Organization as at March 31, 2020, 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 Organization 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 Organization'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 Organization 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 Organization'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 Organization'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 Organization 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
Licensed Public Accountants
London Ontario
June 9, 2020

North Lambton Community Health Centre
Statement of financial position
as at March 31, 2020

	Notes	Schedules	2020				2019
			Community Health Program	Capital Reserve Fund	Other Programs Fund	Total	Total
			\$	\$	\$	\$	\$
Assets							
Current assets							
Cash			389,015	36,337	203,590	628,942	913,678
Short-term investments			—	213,037	—	213,037	194,258
Accounts receivable			1,407	—	—	1,407	3,239
Harmonized sales tax receivable			67,196	—	—	67,196	86,646
Prepaid expenses			65,049	—	—	65,049	63,150
			522,667	249,374	203,590	975,631	1,260,971
Capital assets, net of accumulated amortization	2	1	1,111,327	377,146	—	1,488,473	1,509,236
Total Assets			1,633,994	626,520	203,590	2,464,104	2,770,207
Liabilities							
Current liabilities							
Accounts payable and accrued liabilities			321,096	27,963	—	349,059	553,139
Payroll deductions and taxes payable			188,308	—	—	188,308	187,888
Funding repayable to MOH/LHIN**	5		13,263	—	—	13,263	78,261
Deferred revenue and contributions	6		—	—	202,055	202,055	233,370
Funding repayable to the federal government			—	—	988	988	925
			522,667	27,963	203,043	753,673	1,053,583
Deferred capital contributions	7		1,111,327	377,146	—	1,488,473	1,509,236
Net assets							
Restricted net assets	8		—	221,411	547	221,958	207,388
			1,633,994	626,520	203,590	2,464,104	2,770,207

** MOH - Ministry of Health

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, 2020

	2020			2019
	Community Health Program Fund	Capital Reserve Fund	Other Programs Fund	Total
	\$	\$	\$	\$
Net assets, beginning of the year	—	206,841	547	207,388
Excess (deficiency) of revenue over expenses	—	14,570	—	14,570
Net assets, end of the year	—	221,411	547	221,958

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, 2020

	Community Health Program				2020	2019
	MOH/LHIN Funding	Diabetes Program	Capital Reserve (restricted)	Other Programs (restricted)	Total	Total
Notes	\$	\$	\$	\$	\$	\$
Revenue						
Core funding	7,799,978	671,857	—	—	8,471,835	8,231,555
Transfer Payment Agency funding	140,000	—	—	—	140,000	185,000
Other government funding and grants	169,200	—	—	578,244	747,444	817,206
Health Links	193,500	—	—	—	193,500	206,000
Deferred revenue from prior year	—	—	—	232,370	232,370	128,410
Donations to programs	270	—	—	15,917	16,187	1,212
Interest and other income	33,487	—	21,914	—	55,401	85,525
Uninsured funding	1,000	—	—	—	1,000	1,000
One time funding	—	—	—	265,000	265,000	117,052
Rental income	17,476	—	—	—	17,476	21,626
Amortization of deferred capital contributions	62,103	—	—	—	62,103	96,145
	8,417,014	671,857	21,914	1,091,531	10,202,316	9,890,731
Expenses						
Amortization of capital assets	62,103	—	—	—	62,103	96,145
Board and meetings	10,165	—	—	—	10,165	16,687
Computer supplies	199,478	6,776	—	—	206,254	197,859
Furniture	47,032	—	—	—	47,032	58,113
Health Links expenses	193,500	—	—	—	193,500	61,794
Insurance	22,849	—	—	—	22,849	22,102
Interest and bank charges	1,951	—	—	—	1,951	2,757
Legal and audit	17,127	2,000	—	—	19,127	15,807
Medical supplies and equipment	72,391	—	—	30,000	102,391	103,801
Memberships and dues	26,038	—	—	—	26,038	31,069
Office, postage and printing	63,467	1,956	—	—	65,423	62,176
One time funding expense	—	—	—	15,541	15,541	—
Programs	1,837	—	—	45,062	46,899	28,102
Property taxes	1,623	—	—	—	1,623	1,578
Purchased services and consulting	151,204	—	—	15,690	166,894	168,283
Recruitment	6,558	—	—	—	6,558	12,577
Rent	300,005	15,000	—	2,283	317,288	320,149
Repairs and maintenance	63,700	—	—	101,677	165,377	201,573
Resources and materials	70,365	10,184	7,344	19,355	107,248	229,911
Security	12,283	—	—	—	12,283	31,074
Staff development and training	36,190	5,500	—	1,249	42,939	54,175
Telephone	61,338	1,364	—	4,780	67,482	67,668
Transfer - payment agency expenditure	140,004	—	—	—	140,004	185,004
Transfers to County	—	—	—	218,862	218,862	1,376
Travel and transportation	24,058	10,000	—	6,114	40,172	45,109
Utilities	36,596	—	—	—	36,596	38,752
Wages, benefits and other compensation	6,794,359	619,077	—	421,035	7,834,471	7,540,149
	8,416,221	671,857	7,344	881,648	9,977,070	9,593,789
Excess (deficiency) of revenue over expenses, before the undernoted	793	—	14,570	209,883	225,246	296,941
Less: revenue deferred to subsequent period	—	—	—	202,055	202,055	232,370
Less: amount repayable (recoverable)	793	—	—	7,828	8,621	70,838
Excess (deficiency) of revenue over expenses	—	—	14,570	—	14,570	(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, 2020

	2020	2019
	\$	\$
Operating activities		
Excess (deficiency) of revenue over expenses	14,570	(6,267)
Non-cash transactions		
Amortization of capital assets	62,103	96,145
Amortization of deferred capital contributions	(62,103)	(96,145)
	14,570	(6,267)
Changes in non-cash working capital		
Short-term investments	(18,779)	-
Accounts receivable	1,832	11,589
Harmonized sales tax receivable	19,450	4,374
Prepaid expenses	(1,899)	(20,104)
Accounts payable and accrued liabilities	(204,080)	233,594
Payroll deductions and taxes payable	420	109,733
Funding repayable to MOH/LHIN	(64,998)	(78,856)
Deferred revenue and contributions	(31,315)	104,960
Funding repayable to the federal government	63	-
	(284,736)	359,023
Investing activity		
Purchase of capital assets	(41,340)	-
Financing activity		
Increase in deferred contributions	41,340	-
Net change in cash	(284,736)	359,023
Cash, beginning of the year	913,678	554,655
Cash, end of the year	628,942	913,678

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, 2020

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 ("MOH") 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.

Change in accounting policy

Adoption of Section 4433, Tangible capital assets held by non-for-profit organizations

Effective April 1, 2019, the Organization adopted Handbook Section 4433, Tangible capital assets held by not-for-profit organizations ("Section 4433") replacing Section 4431 on the same topic. Section 4433 provides additional guidance related to componentization of tangible capital assets consisting of significant separable component parts, the recognition of partial impairment when the conditions indicate a tangible capital asset is impaired and related impairment disclosures. In accordance with the transition provisions, the Organization has applied Section 4433 prospectively. There was no impact on the disclosures or amounts recorded in the financial statements of the Organization related to the adoption of Section 4433.

Fund accounting

The Organization follows the restricted fund method of accounting for contributions.

Community Health Program Fund

Revenues and expenses related to Community Health Centre program delivery and administrative activities are reported in the Community Health Program Fund, which includes MOH/LHIN funding and the diabetes program.

Capital Reserve Fund

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

Other Programs Fund

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

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2020

2. Significant accounting policies (continued)

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 MOH/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.

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

2. Significant accounting policies (continued)

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, short-term investments, accounts receivable, harmonized sales tax receivable, prepaid expenses, accounts payable and accrued liabilities, payroll deductions and taxes payable, funding payable to MOH/LHIN, deferred revenue and contributions and funding repayable to the federal government 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.

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2020

4. Bank line of credit

The Organization has negotiated a line of credit and a corporate Visa to facilitate cash flow requirements and business expenditures in the amount of \$100,000 and \$15,500 respectively. The credit bears interest at prime rate + 1% per annum and is due on demand.

The Organization has made a general assignment of accounts receivable and provided a general security agreement covering all assets other than real property. The organization had no amounts drawn on this facility at year-end (\$nil in 2019).

5. Due to Ministry of Health and Local Health Integration Network

Funding provided by the MOH/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:

	2020	2019
	\$	\$
Opening balance	78,261	157,117
Deduct: repayments	(73,619)	(149,694)
Refundable surplus for the year		
Community Health Care - MOH/LHIN funded	793	54,641
Diabetes screening	—	16,197
Other funding	7,828	—
Total amount repayable	13,263	78,261

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

	2020	2019
	\$	\$
Balance beginning of the year	1,509,236	1,605,381
Contributions received during the year for capital purposes	41,340	—
	1,550,576	1,605,381
Amortization of deferred capital contributions	62,103	96,145
Balance, end of year	1,488,473	1,509,236

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, 2020

8. Internally restricted

The Organization's Board of Directors has internally restricted funds totaling \$221,958 (\$207,388 in 2019) 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 Sarnia, Watford and Kettle Point.

The Sarnia lease was renewed during the year for an additional five year term ending April 30, 2026 plus operating costs and tax payments that are adjusted annually.

The Watford lease is for a 1 year term renewed April 1, 2020 ending March 31, 2021.

The Kettle Point lease runs on a month to month basis at a rate of \$4,228/month.

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

	Sarnia	Watford	Total
	\$	\$	\$
2021	201,826	9,900	211,726
2022	201,826	—	201,826
2023	201,826	—	201,826
2024	201,826	—	201,826
2025	201,826	—	201,826
Thereafter	218,645	—	218,645
	<u>1,227,775</u>	<u>9,900</u>	<u>1,237,675</u>

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

	\$
2021	67,196
2022	47,196
2023	27,196
2024	25,306
2025	21,615
Thereafter	—
	<u>188,509</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 \$533,035 (\$474,505 in 2019) and are included in Wages, benefits and other compensation in the statement of operations. As at December 31, 2019 the Hospitals of Ontario Pension Plan had a surplus of \$20,555,000.

North Lambton Community Health Centre

Notes to the financial statements

March 31, 2020

11. Economic dependence

The Organization received 91.8% of its total revenue for the year ended March 31, 2020 (91.7% in 2019) from the LHIN and MOH. Without the continued support of these funders it is unlikely that the Organization could continue to operate.

12. COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus, ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results of the Organization in future periods. The Organization does not expect that this disruption will affect its ability to operate as a going concern.

North Lambton Community Health Centre
Schedule 1
year ended March 31, 2020

	Cost		Accumulated amortization			Net book value		
	Opening balance	Additions	Closing balance	Opening balance	Additions	Closing balance	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
Capital assets								
Land	256,772	—	256,772	—	—	—	256,772	256,772
Building and building improvements	2,024,093	—	2,024,093	(831,243)	(44,419)	(875,662)	1,148,431	1,192,850
Leasehold improvements	1,074,965	—	1,074,965	(1,074,965)	—	(1,074,965)	—	—
Equipment	244,395	—	244,395	(244,352)	(43)	(244,395)	—	43
Computer equipment	129,200	2,065	131,265	(109,692)	(6,504)	(116,196)	15,069	19,508
Medical equipment	360,542	39,275	399,817	(339,594)	(6,358)	(345,952)	53,865	20,948
Vehicles	91,214	—	91,214	(72,099)	(4,779)	(76,878)	14,336	19,115
Signage	28,018	—	28,018	(28,018)	—	(28,018)	—	—
	4,209,199	41,340	4,250,539	(2,699,963)	(62,103)	(2,762,066)	1,488,473	1,509,236