Financial Statements of

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

And Independent Auditor's Report thereon

Year ended March 31, 2023

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

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Year ended March 31, 2023

Management's Responsibility for the Financial Reporting

The accompanying financial statements of Community & Primary Health Care Lanark, Leeds & Grenville (the “Organization”) are the responsibility of the Organization's management and have been prepared in compliance with legislation, and in accordance with Canadian accounting standards for not-for-profit organizations. A summary of significant accounting policies are described in note 2 to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Organization's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Board of Directors meets with management subsequently to review these same matters prior to the Board's approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Organization. The accompanying Independent Auditor’s Report outlines their responsibilities, the scope of their examination and their opinion on the Organization's financial statements

Mitch Bloom, Board Treasurer

Tina Montgomery, Executive Director

INDEPENDENT AUDITOR'S REPORT

To the Directors of Community & Primary Health Care Lanark, Leeds & Grenville

Qualified Opinion

We have audited the financial statements of Community & Primary Health Care Lanark, Leeds & Grenville (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, except for the effects of the matters described in the *"**Basis for Qualified Opinion**"* paragraph, the 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 Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from fundraising and donation revenues, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Entity.

Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at March 31, 2023 and March 31, 2022
- the fundraising and donations revenues and excess of revenue over expenses reported in the statements of operations for the years ended March 31, 2023 and March 31, 2022
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended March 31, 2023 and March 31, 2022
- the excess of revenue over expenses reported in the statements of cash flows for the years ended March 31, 2023 and March 31, 2022.

Our opinion on the financial statements for the year ended March 31, 2022 was qualified accordingly because of the possible effects of this limitation in scope.

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's in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 qualified opinion.

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 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.

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.

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

(DATE)

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Statement of Financial Position

March 31, 2023, with comparative information for 2022

		2023		2022
Assets				
Current assets:				
Cash	$	1,227,217	$	1,303,948
Accounts receivable		359,701		239,588
Prepaid expenses		28,678		27,445
		1,615,596		1,570,981
Capital assets (note 3)		7,909,119		8,193,253
	$	9,524,715	$	9,764,234
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	338,257	$	370,106
Government remittances payable		21,571		38,716
Deferred revenue (note 4)		3,744		9,534
Current portion of fixed term loan (note 5)		90,938		87,964
Current portion of lease contribution (note 6(a))		246,467		246,467
		700,977		752,787
Fixed term loan (note 5)		1,140,586		1,231,536
Deferred lease contributions (note 6(a))		1,088,565		1,335,032
Deferred capital contributions (note 6(b))		3,277,682		3,394,948
		6,207,810		6,714,303
Net assets:				
Unrestricted		(87,544)		(433,410)
Viola Haggart Endowment Fund		4,536		4,536
Invested in capital assets (note 11)		3,399,913		3,478,805
		3,316,905		3,049,931
Economic dependence (note 9)				
Contingent liabilities (note 10)				
	$	9,524,715	$	9,764,234

See accompanying notes to financial statements.

Approved on behalf of the Board:

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Statement of Operations

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

	Budget (unaudited)	2023	2022
Revenue:			
Government contributions (note 9)	$ 2,432,737	$ 2,570,347	$ 2,549,063
Client fees	2,002,185	1,931,315	1,988,729
Amortization of deferred lease contribution	347,165	246,467	246,467
Amortization of deferred capital contributions	–	125,243	121,533
Fundraising and donations	91,000	97,358	55,545
Other income	65,391	146,438	216,679
Interest income	5,000	23,677	3,318
	4,943,478	5,140,845	5,181,334
Expenses:			
Wages and benefits	2,877,582	2,779,010	2,551,974
Supplies and services	833,145	980,119	996,356
Building and grounds	353,653	499,302	517,269
Transportation	253,784	255,571	219,123
Equipment expenses	137,526	187,433	159,407
Interest, fees and other (note 5)	95,659	73,689	58,346
Postage and telephone	26,734	32,613	30,172
Advertising	21,285	28,566	23,461
Professional fees	15,398	13,962	17,515
Insurance	15,984	17,822	17,391
Staff training	5,392	5,784	4,995
	4,636,142	4,873,871	4,596,009
Excess of revenue over expenses	$ 307,336	$ 266,974	$ 585,325

See accompanying notes to financial statements.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Statement of Changes in Net Assets

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

	Viola Haggart Endowment Fund	Invested in capital assets (note 11)	Unrestricted	2023 Total	2022 Total
Balance, beginning of year	$ 4,536	$ 3,478,805	$ (433,410)	$ 3,049,931	$ 2,464,606
Excess (deficiency) of revenue over expenses	–	(166,868)	433,842	266,974	585,325
Net change in investment in capital assets	_	87,976	(87,976)	–	–
Balance, end of year	$ 4,536	$ 3,399,913	$ (87,544)	$ 3,316,905	$ 3,049,931

See accompanying notes to financial statements.

COMMUNITY & PRIMARY HEALTH CARE LANARK, LEEDS & GRENVILLE

Statement of Cash Flows

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

	2023	2022
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 266,974	$ 585,325
Items not involving cash:		
Amortization of deferred capital contributions	(125,243)	(121,533)
Amortization of deferred lease contributions	(246,467)	(246,467)
Amortization of capital assets	292,111	328,729
Change in non-cash operating working capital:		
Accounts receivable	(120,113)	72,622
Prepaid expenses	(1,233)	(2,143)
Accounts payable and accrued liabilities	(31,849)	(66,048)
Government remittances payable	(17,145)	(47,797)
Deferred revenue	(5,790)	9,534
	11,245	512,222
Financing activities:		
Repayment of fixed term loan	(87,976)	(85,098)
Receipt of deferred capital contributions	7,977	–
	(79,999)	(85,098)
Capital activities:		
Purchase of capital assets	(7,977)	(15,485)
Increase (decrease) in cash	(76,731)	411,639
Cash, beginning of year	1,303,948	892,309
Cash, end of year	$ 1,227,217	$ 1,303,948

See accompanying notes to financial statements.

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1. Purpose of the Organization:

Community & Primary Health Care Lanark, Leeds & Grenville ("CPHC" or the "Organization") is a local non-for-profit health organization that provides universally accessible and comprehensive primary health care and community support services to the people of Lanark, Leeds & Grenville and surrounding areas.

The Organization is incorporated without share capital under the under the laws of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. Significant aspects of the accounting policies adopted by the Organization are as follows:

(a) Basis of presentation:

The Organization follows the deferral method of accounting for contributions. Grants and subsidies are recognized as revenue in the year in which the related expenses are incurred. Grants and subsidies received in advance are deferred for financial statement purposes. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonable estimated and collection is reasonably assured.

(b) Revenue recognition:

Contributions from the Ministry of Health of Ontario are recognized as revenue in the year of receipt except for the following:

(i) contributions relating to capital assets are credited to deferred capital contributions and recognized as revenue on the same basis as amortization of the related asset is charged against operations;

(ii) unexpended funds at the end of the year from contributions by the Ministry of Health of Ontario to the General Fund reduce government contribution revenue and are reported as amounts payable unless approval has been received to use excess funds for specific expenses. Any overage in expenses may not be reimbursed by the Ministry of Health of Ontario in the future.

2. Significant accounting policies (continued):

(c) Deferred revenues:

The Organization receives certain amounts for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

(d) Capital assets:

Capital assets purchased by the Organization are recorded at cost and those donated to the Organization are recorded at their fair value at the date of acquisition when fair market value can be reasonably estimated. Capital assets are amortized on a straight-line basis with the following estimated rates:

Asset	Rate
Buildings	30 - 40 years
Furniture and equipment	5 - 15 years
Computer equipment	5 - 7 years

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.

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.

(e) Donated services:

No amounts are reflected in the statements for donated services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time to the Organization and its fundraising activities.

2. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measure at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight line method.

Financial assets are assessed for indicators of impairment on an annual basis at the end of the fiscal year. Where an indicator of impairment is present, the Organization determines if there is a significant adverse change in the expected amount or 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 impairment charge.

(g) Use of estimates:

The preparation of the financial statements 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 year. Actual results could differ from those estimates.

2. Significant accounting policies (continued):

(h) Pension plan:

The Organization participates in a defined benefit multi-employer pension plan. The plan is accounted for on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due. The most recent regulatory funding valuation of this multi-employer pension plan conducted as at December 31, 2022 disclosed actuarial assets of $103.4 billion (2022 - $114.4 billion) with accrued pension liabilities of $92 billion (2022 - $86 billion), resulting in a surplus of $11 million (2022 - $28 million). This filing valuation also confirmed that the plan was fully funded on a solvency basis as at December 31, 2022 based on the assumptions and methods adopted for the valuation.

3. Capital assets:

	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Land	$ 1,000,142	$ –	$ 1,000,142	$ 1,000,142
Buildings	8,986,963	2,138,809	6,848,154	7,072,828
Furniture and equipment	405,444	345,171	60,273	81,351
Computer equipment	1,002,176	1,001,626	550	38,932
	$ 11,394,725	$ 3,485,606	$ 7,909,119	$ 8,193,253

Cost and accumulated amortization at March 31, 2022 amounted to $11,371,714 and $2,865,217, respectively.

Management has reviewed for impairment as of March 31, 2023 and 2022 and determined there is none.

4. Deferred revenue:

	2023	2022
Balance, beginning of year	$ 9,534	$ –
Add: amounts received during the year for gift cards not yet redeemed	–	9,534
Less: gift cards redeemed	(5,790)	–
Balance, end of year	$ 3,744	$ 9,534

5. Fixed term loan:

	2023	2022
Fixed term loan, (3.33%), repayable in blended monthly payments of $10,881, due August 2024	$ 1,231,524	$ 1,319,500
Less: current portion	90,938	87,964
Balance, end of year	$ 1,140,586	$ 1,231,536

Repayment of the fixed term loan is as follows:

2024	$ 90,938
2025	1,140,586
	$ 1,231,524

Interest paid during the year was $42,605 (2022 - $45,253) and is recorded as a component of interest, fees and other on the statement of operations.

6. Deferred contributions:

(a) Deferred lease contribution:

This contribution represents funds received in advance relating to a 15 year lease agreement. If the lease is terminated before its expiry date of December 31, 2026, the unearned funds are required to be returned to the Ministry of Health of Ontario. This contribution is recognized as revenue over the life the lease.

	2023	2022
Balance, beginning of year	$ 1,581,499	$ 1,827,966
Less: amounts amortized to revenue	(246,467)	(246,467)
Balance, end of year	$ 1,335,032	$ 1,581,499

6. Deferred contributions (continued):

(a) Deferred lease contribution (continued):

Shown as:

	2023	2022
Current portion of deferred lease contributions	$ 246,467	$ 246,467
Long-term portion of deferred lease contributions	1,088,565	1,335,032
	$ 1,335,032	$ 1,581,499

(b) Deferred capital contributions:

These contributions represent funds received for capital asset purchases. These contributions are being deferred and recognized as revenue on the same basis as the assets are amortized.

	2023	2022
Balance, beginning of year	$ 3,394,948	$ 3,516,481
Add: amounts contributed	7,977	–
Less: amounts amortized to revenue	(125,243)	(121,533)
Balance, end of year	$ 3,277,682	$ 3,394,948

7. Pension plan:

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. Contributions to the plan made during the year by the Organization on behalf of its employees amounted to $141,410 (2022 - $126,099) 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.

8. Risk management:

In the normal course of operations, the Organization is exposed to a variety of financial risks which are actively managed by the Organization.

(a) 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 the accounts receivable and cash.

The Organization, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Organization at March 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance in the allowance for doubtful accounts as at March 31, 2023 is $Nil (2022 -$Nil).

There have been no significant changes to the credit risk exposure from March 31, 2022.

8. Risk management (continued):

(b) 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. The Organization prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable are generally due within 30 days of receipt of an invoice.

There have been no significant changes to the liquidity risk exposure from March 31, 2022.

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Organization to interest rate risk. The Organization mitigates this risk through its fixed rate loan.

There has been no change to the interest rate risk exposure from 2022.

9. Economic dependence:

The Organization is dependent on the Ministry of Health of Ontario for a significant portion of its revenue. These funds are provided under a service agreement on an annual basis and the Organization's ability to continue as a going concern is dependent upon the renewal of these contacts.

10. Contingent liabilities:

(a) The nature of the Organization’s activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at March 31, 2023, management maintains that the Organization has valid defences and appropriate insurance coverage in place in the event that claims against the Organization are successful.

(b) On July 1, 1987, a group of health care organizations, (“subscribers”), formed Healthcare Insurance Reciprocal of Canada (“HIROC”). HIROC is registered as a Reciprocal pursuant to Provincial Insurance Acts, which permits persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage of health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. 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. No such assessments have been made to March 31, 2023.

Since its inception in 1987, HIROC has accumulated an un-appropriated 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 un-appropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions receivables from HIROC as of March 31, 2023.

11. Invested in capital assets

(a) Investment in capital assets is calculated as follows:

	2023	2022
Capital assets	$ 7,909,119	$ 8,193,253
Amounts financed by:		
Deferred capital contributions	(3,277,682)	(3,394,948)
Fixed term loan	(1,231,524)	(1,319,500)
	$ 3,399,913	$ 3,478,805

(b) Change in net assets investment in capital assets is calculated as follows:

	2023	2022
Deficiency of revenue over expenses:		
Amortization of deferred capital contributions	$ 125,243	$ 121,533
Amortization of capital assets	(292,111)	(328,729)
	$ (166,868)	$ (207,196)

	2023	2022
Net change in investment in capital assets:		
Purchase of capital assets	$ 7,977	$ 15,485
Amounts funded by deferred contributions	(7,977)	–
Repayment of fixed term loan	87,976	85,098
	$ 87,976	$ 100,583