

**FINANCIAL STATEMENTS
MARCH 31, 2018**

CONTENT

Management's Responsibility for the Financial Statements.	1
Independent Auditor's Report.	2 - 3
Statement of Financial Position.	4
Statement of Operations	5
Statement of Changes in Net Assets.	6
Statement of Cash Flows.	7
Notes to the Financial Statements.	8 - 14

**Lanark Renfew Health
& Community Services
Financial Statements
March 31, 2018**

Lanark Renfrew Health & Community Services



Lanark
Community
Programs



North Lanark
Community Health
Centre



Whitewater Bromley
Community Health
Centre

207 Robertson Drive, Lanark, Ontario. K0G 1K0 Phone: 613-259-2182 Fax: 613-259-5235 www.lrhcs.ca

Management's Responsibility for the Financial Statements

The accompanying financial statements of the Lanark Renfrew Health & Community Services (LRHCS) are the responsibility of the Organizations's management and have been prepared in compliance with legislation, and in accordance with Canadian Public Sector Accounting Standards. A summary of significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves 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 consolidated 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 prior to Board approval of the financial statements.

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


John Jordan, Executive Director


Amy Vanderspank, Director of Finance



22 Wilson Street West | Perth, Ontario | K7H 2M9
Phone: 613-267-6580 | Fax: 613-267-7563
info@allanandpartners.com
www.allanandpartners.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Members of Lanark Renfrew Health & Community Services:

We have audited the accompanying financial statements of Lanark Renfrew Health & Community Services which comprise the statement of financial position as at March 31, 2018, and the statement of operations, and changes in net assets, and cash flow statement 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 Public Sector Accounting Standards, 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 audit opinion on the 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 an 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 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.

In common with many charitable organizations, the organization derives revenue from fundraising events 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 Organization. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses and cash flow from operations for the year ended, March 31, 2018, current assets as at March 31, 2018 and fund balances as at March 31, 2018.

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, these financial statements present fairly, in all material respects, the financial position of the Lanark Renfrew Health & Community Services as at March 31, 2018, and the results of its operations and its cash flows for the year ended March 31, 2018 in accordance with Canadian Public Sector Accounting Standards.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
June 20, 2018.

**Lanark Renfrew Health & Community Services
Statement of Financial Position**

March 31	2018	2017
	\$	\$
Assets		
Current Assets		
Cash	2,804,803	2,030,568
Accounts receivable (note 2)	882,702	476,628
Prepaid expenses	177,969	64,744
	3,865,474	2,571,940
Capital Assets (note 3)	5,934,868	6,015,060
	9,800,342	8,587,000
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	1,672,799	1,348,625
Contributions payable	17,303	14,000
Deferred revenues (note 4)	549,437	479,540
Current portion of term loans (note 6)	31,045	30,151
	2,270,584	1,872,316
Term Loans (note 6)	462,973	494,127
Deferred Contributions ▶ Government contributions (note 5)	4,125,810	4,168,893
▶ Capital donations (note 5)	251,751	259,134
	4,840,534	4,922,154
Contingent Liabilities (note 8) Commitments (note 9)		
Net Assets		
Invested in capital assets	1,063,289	1,062,755
Unrestricted	1,625,935	729,775
	2,689,224	1,792,530
	9,800,342	8,587,000

On Behalf of the Board:

_____, Chairperson

The accompanying notes are an integral part of these financial statements.

Lanark Renfrew Health & Community Services Statement of Operations

For the year ended March 31	(Note 10) Budget	2018	2017
	\$	\$	\$
Revenues			
Revenue from government grants	10,995,626	10,755,389	10,421,667
Amortization of deferred contributions	274,310	244,583	244,062
Other revenue	602,014	685,252	618,810
Program fees	1,709,736	2,442,714	1,496,681
Fundraising and donations	150,148	172,878	184,508
	13,731,834	14,300,816	12,965,728
Expenditures			
Advertising	6,300	9,204	7,228
Amortization	274,310	274,310	272,923
Computer, medical supplies and resource materials	220,731	365,488	204,648
Insurance	50,176	50,232	51,875
Meetings, memberships and publications	51,327	39,974	49,471
Non-recurring expenditures	222,551	150,266	73,947
Office supplies, postage and courier	115,407	108,525	105,810
Professional fees	65,418	39,338	37,912
Programs and project funding	568,701	573,398	562,104
Purchased services	281,150	164,369	341,557
Rent and accommodation	357,804	306,393	354,043
Repairs and maintenance	179,437	200,437	246,813
Salaries and benefits	10,889,874	10,683,846	9,824,904
Telephone	123,365	140,256	136,796
Travel, training and transportation	325,283	298,086	308,718
	13,731,834	13,404,122	12,578,749
Excess of Revenues over Expenses	---	896,694	386,979
Family Relief Client Funds			
Client funding	5,124,812	5,129,812	3,929,540
Client services and expenses	(5,124,812)	(5,129,812)	(3,929,540)
	---	---	---
Excess of Revenues over Expenses	---	896,694	386,979
Net Assets, Beginning of Year	1,792,530	1,792,530	1,405,551
Net Assets, End of Year	1,792,530	2,689,224	1,792,530

The accompanying notes are an integral part of these financial statements.

**Lanark Renfrew Health & Community Services
Statement of Changes in Net Assets**

Year Ended March 31	Invested in Capital Assets	Unrestricted	2018	2017
	\$	\$	\$	\$
Balance, Beginning of Year	1,062,755	729,775	1,792,530	1,405,551
Excess of Revenues over Expenses	534	896,160	896,694	386,979
Balance, End of Year	1,063,289	1,625,935	2,689,224	1,792,530

The accompanying notes are an integral part of these financial statements.

Lanark Renfrew Health & Community Services
Statement of Cash Flows

For the year ended March 31	2018	2017
	\$	\$
Cash Flows Provided From:		
Operating		
Excess of revenues over expenses	896,694	386,979
Amortization of capital assets	281,301	272,923
Amortization of deferred contributions	(251,573)	(244,062)
	926,422	415,840
Net Change in Non-Cash Working Capital Balances Related to Operations		
Accounts receivable	(406,074)	(145,709)
Prepaid expenses	(113,225)	(9,613)
Accounts payable and accrued liabilities	327,477	221,800
Deferred revenues	69,897	197,408
	(121,925)	263,886
Net Change from Operations	804,497	679,726
Investing Activities		
Capital asset additions	(201,109)	(226,672)
Financing Activities		
Advance of long term debt	(30,260)	(31,395)
Increase in deferred contributions		
▸ deferred donations	(7,383)	97,337
▸ government contributions	208,490	40,490
	170,847	106,432
Change in Cash, During the Year	774,235	559,486
Cash, Beginning of Year	2,030,568	1,471,082
Cash, End of Year	2,804,803	2,030,568

The accompanying notes are an integral part of these financial statements.

Lanark Renfrew Health & Community Services

Notes to the Financial Statements

March 31, 2018

Description of Organization

Lanark Renfrew Health & Community Services is incorporated under the laws of Ontario as a not-for-profit organization and is a registered charity under the Income Tax Act. Its mission is to provide a wide range of health services and programs to individuals, families and the community primarily in Lanark and Renfrew Counties. Included in these financial statements are the operations of North Lanark Community Health Centre, Lanark Community Programs and Whitewater Bromley Community Health Centre.

1. Significant Accounting Policies

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations.

Basis of Presentation

These financial statements reflect the assets, liabilities and operations of the Organization. The Organization including the financial activities of North Lanark Community Health Centre, Lanark Community Programs and Whitewater Bromley Community Health Centre.

Revenue Recognition

The Organization follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Organization is funded, primarily by the Province of Ontario, in accordance with budget arrangements established by the Ministry of Health and Long-Term Care, the Champlain Local Health Integrated Network, Ministry of Community and Social Services and Ministry of Children and Youth Services. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in the subsequent period.

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

Externally restricted contributions, such as trust funds are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The amount of any pledges and bequests to donate funds to the Organization is not included in revenue until such time as funds are received.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Lanark Renfrew Health & Community Services

Notes to the Financial Statements

March 31, 2018

1. Significant Accounting Policies / continued

Classification of Financial Instruments

All financial instruments reported on the Statement of Financial Position of the Organization are classified as follows:

Cash	Fair value
Accounts receivable	Amortized cost
Accounts payable	Amortized cost
Term loans	Amortized cost

Short-Term Investments and Investments

Transaction costs related to the acquisition of investments are recorded against investment income. Sales and purchases of investments are recorded on the settlement date.

Fair value is determined at quoted market prices. The calculation of fair value is based upon market conditions at a specific point in time and may not be reflective of future fair value.

Capital Assets

Purchased capital assets, other than minor equipment are recorded at cost. Assets acquired under capital leases are initially recorded at the present value of future minimum lease payments and amortized over the estimated life of the assets. When an asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value.

Minor equipment replacements are expensed in the year of replacement. Construction in progress is not amortized until the project is complete and the facilities come into use. Capital assets are amortized on a straight-line basis over their expected useful lives at rates varying from 2.5% to 33.3% per annum.

Buildings	40 years
Vehicles	7 years
Furniture and Equipment	5 - 10 years
Computer Equipment	3 - 5 years
Leasehold Improvements	5 years

Government Transfers

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

Deferred Contributions Related to Funds Held in Trust

The Organization holds resources and makes disbursements on behalf of various unrelated individuals or groups. The Organization has no discretion over such transactions. Resources received in connection with such trust fund transactions are reported as liabilities not revenue and subsequent distributions are reported as decreases to the liability not expenses.

Lanark Renfrew Health & Community Services Notes to the Financial Statements

March 31, 2018

1. Significant Accounting Policies / continued

Measurement Uncertainty

The preparation of 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 reported amounts of revenues and expensed during the period. Actual results could differ from these estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known. The most significant estimates used in preparing these financial statements include the estimated useful lives of capital assets, the assumptions underlying the employee future benefit liability calculation, the amount of accrued liabilities and the allowance for doubtful accounts.

2. Accounts Receivable

Accounts receivable are comprised of the following:

	2018	2017
	\$	\$
Government contributions	462,342	251,822
HST	126,902	96,289
Other	293,458	128,517
	882,702	476,628

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	325,002	---	325,002	325,002
Buildings	6,951,148	1,710,110	5,241,038	5,289,570
Vehicles	262,314	141,246	121,068	102,412
Furniture and Equipment	568,173	445,524	122,649	129,402
Computer Equipment	561,563	451,288	110,275	139,579
Leasehold Improvements	338,542	323,706	14,836	29,095
	9,006,742	3,071,874	5,934,868	6,015,060

**Lanark Renfrew Health & Community Services
Notes to the Financial Statements**

March 31, 2018

4. Deferred Revenues

	2018	2017
	\$	\$
Beginning balance, related to operating funding	479,540	282,132
Add: amount received related to the following year	403,484	442,704
Less: amount recognized as revenue in the year	(333,587)	(245,296)
Ending balance, related to operating funding	549,437	479,540

5. Deferred Contributions

Non current portion of deferred contributions are comprised of grants and donations received to fund the acquisition of capital assets. The grant or donation is recognized into income as the asset purchased with the monies is amortized. The change in the balance is outlined as follows:

	2018	2017
	\$	\$
Capital Assets		
Balance, Beginning of Year	4,168,893	4,267,745
Add: contributed equipment	208,490	152,200
Less: amounts amortized to revenue	(251,573)	251,052
Balance, End of Year	4,125,810	4,168,893

	2018	2017
	\$	\$
Deferred Donations		
Balance, Beginning of Year	259,134	266,517
Less: amount amortized to revenue	(7,383)	7,383
Balance, End of Year	251,751	259,134

**Lanark Renfrew Health & Community Services
Notes to the Financial Statements**

March 31, 2018

6. Long Term Liabilities - Term Loans

	2018	2017
	\$	\$
TD Canada Trust (prime + 0.5%), repayable in monthly principal payments of \$1,250 plus interest, secured by a first mortgage on land and building at 199 Robertson Road, Lanark, due September 30, 2020.	262,500	276,250
RBC loan (prime + 0.5%), repayable in blended monthly payments of \$1,252, secured by land and improvements of 129 Elm Grove Road, Perth, due March 20, 2018.	206,376	214,505
TD Canada Trust (prime + 0.5%), repayable in monthly principal payments of \$698 plus interest, secured by a first mortgage on land and building at 66 Hutchinson Road, Smiths Falls, due March 24, 2021.	25,142	33,523
	494,018	524,278
Less: current portion	31,045	30,151
	462,973	494,127

Principal payments fall due as follows:

	\$
2018	31,045
2019	32,012
2020	32,954
2021	25,779
2022 and thereafter	372,228
	494,018

7. Financial Instruments

Establishing Fair Value

The carrying value of accounts receivable, accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Lanark Renfrew Health & Community Services Notes to the Financial Statements

March 31, 2018

7. Financial Instruments / continued

- ▶ Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ▶ Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie: as prices) or indirectly (ie: derived from prices); and,
- ▶ Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Credit Risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and incur a financial loss. The Organization is exposed to credit risk on its accounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Organization will not be able to meet its obligations as they fall due. The Organization requires working capital to meet day-to-day operating activities. Management expects that the Organization's cash flows from operating activities will be sufficient to meet these requirements.

Market Risk

The Organization is not exposed to any market risk due to the nature of its activities.

8. Contingent Liabilities

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, 2018, management believes that the Organization has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Organization's financial position.

Lanark Renfrew Health & Community Services Notes to the Financial Statements

March 31, 2018

9. Commitments

Lanark Renfrew Health & Community Services has entered into a long term lease agreement, the amount for which they are committed to pay are as follows:

	\$
2019	46,782
2020	46,782

10. Budget Figures

The budget reflected in the statement of operations is an annual budget which has been approved by the Lanark Renfrew Health & Community Services Board of Directors. The budget figures are unaudited.

11. Economic Dependence

The Organization is dependent on the Champlain Local Health Integration Network for a significant portion of its revenue. These funds are provided under a Multi-Sectoral Accountability Agreement. The Organization is also dependent on the Ministry of Community and Social Services and Ministry of Children and Youth Services for a significant portion of its revenue.

As the Organization's main source of income is derived from these agreements, its ability to continue viable operations is dependent upon the renewal of these agreements.
