

**FINANCIAL STATEMENTS
MARCH 31, 2020**

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**Lanark Renfrew Health
& Community Services
Financial Statements
March 31, 2020**

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.

A handwritten signature in black ink, appearing to read "John Jorgan".

John Jorgan,
Executive Director

A handwritten signature in black ink, appearing to read "Amy Vanderspank".

Amy Vanderspank,
Director of Corporate Services



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of the Lanark Renfrew Health & Community Services (the 'Entity'), which comprise:

- the statement of financial position as at March 31, 2020;
- 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 the notes to the financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2020, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the '**Auditors' Responsibilities for the Audit of the Financial Statements**' section of our auditor's report.

We are independent of the Entity 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 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 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.

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 judgement 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 of 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 auditors' 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 auditors' 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.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario
June 23, 2020.

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

March 31	2020	2019
	\$	\$
Assets		
Current Assets		
Cash	3,317,153	3,556,623
Accounts receivable (note 2)	900,295	584,705
Prepaid expenses	87,113	175,554
	4,304,561	4,316,882
Capital Assets (note 3)	6,591,737	6,171,476
	10,896,298	10,488,358
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	1,586,250	1,562,278
Contributions payable	58,000	134,564
Deferred revenues (note 4)	923,058	669,566
Current portion of term loans (note 6)	---	221,420
	2,567,308	2,587,828
Term Loans (note 6)	---	240,879
Deferred Contributions	4,168,524	4,039,567
> Government contributions (note 5)		
> Capital donations (note 5)	236,985	244,368
	4,405,509	4,524,814
Contingent Liabilities (note 8) Commitments (note 9)		
Net Assets		
Invested in capital assets	2,186,228	1,425,242
Unrestricted	1,737,253	1,950,474
	3,923,481	3,375,716
	10,896,298	10,488,358

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	2020	2019
	\$	\$	\$
Revenues			
Revenue from government grants	12,844,142	12,844,142	11,295,313
Other revenue	1,035,268	1,324,177	1,383,536
Program fees	2,699,491	3,537,248	2,866,350
Fundraising and donations	96,450	147,669	96,948
Amortization of deferred contributions	272,297	272,297	248,789
	16,947,648	18,125,533	15,890,936
Expenses			
Advertising	9,185	13,019	9,055
Amortization	314,785	314,785	282,037
Computer, medical supplies and resource materials	247,193	459,101	291,021
Insurance	57,362	56,898	52,630
Meetings, memberships and publications	41,836	49,752	47,993
Non-recurring expenses	---	43,091	224,865
Office supplies, postage and courier	99,333	115,073	108,156
Professional fees	39,178	44,092	35,183
Programs and project funding	484,508	397,083	462,199
Purchased services	1,605,327	2,058,107	829,344
Rent and accommodation	359,186	364,409	325,822
Repairs and maintenance	197,475	330,335	233,385
Salaries and benefits	13,049,912	12,811,869	11,837,297
Telephone	151,334	195,925	147,585
Travel, training and transportation	291,034	324,229	317,872
	16,947,648	17,577,768	15,204,444
Excess of Revenues over Expenses	---	547,765	686,492
Family Relief Client Funds			
Client funding	4,457,168	4,522,173	5,209,083
Client services and expenses	(4,457,168)	(4,522,173)	(5,209,083)
	---	---	---
Excess of Revenues over Expenses	---	547,765	686,492
Net Assets, Beginning of Year	3,375,716	3,375,716	2,689,224
Net Assets, End of Year	3,375,716	3,923,481	3,375,716

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	2020	2019
	\$	\$	\$	\$
Balance, Beginning of Year	1,950,474	1,425,242	3,375,716	2,689,224
Excess of Revenues over Expenses	235,754	312,011	547,765	686,492
Balance, End of Year	2,186,228	1,737,253	3,923,481	3,375,716

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	2020	2019
	\$	\$
Cash Flows Provided From:		
Operating		
Excess of revenues over expenses	547,765	686,492
Amortization of capital assets	318,279	289,027
Amortization of deferred contributions	(268,408)	(248,789)
	597,636	726,730
Net Change in Non-Cash Working Capital Balances Related to Operations		
Accounts receivable	(315,590)	297,997
Prepaid expenses	88,441	2,415
Accounts payable and accrued liabilities	(52,592)	6,740
Deferred revenues	253,492	120,129
	(26,249)	427,281
Net Change from Operations	571,387	1,154,011
Investing Activities		
Capital asset additions	(738,540)	(525,635)
Financing Activities		
Repayment of long term debt	(462,299)	(31,719)
(Decrease) increase in deferred contributions		
> capital donations	(7,383)	(7,383)
> government contributions	397,365	162,546
	(72,317)	123,444
Change in Cash, During the Year	(239,470)	751,820
Cash, Beginning of Year	3,556,623	2,804,803
Cash, End of Year	3,317,153	3,556,623

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

Lanark Renfrew Health & Community Services

Notes to the Financial Statements

March 31, 2020

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 Children, Community and Social 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, 2020

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, 2020

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:

	2020	2019
	\$	\$
Government contributions	550,748	361,195
HST	160,873	118,350
Other	188,674	105,160
	900,295	584,705

3. Capital Assets

	2020		2019	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Land	125,395	---	125,395	125,395
▸ Office - Carleton Place 1	85,365	---	85,365	---
- Carleton Place 2	61,117	---	61,117	61,117
- Lanark	7,217	---	7,217	7,217
- Beachburg	30,500	---	30,500	30,500
- Cobden	68,200	---	68,200	68,200
▸ Respite House - Moulton House	70,291	---	70,291	70,291
- Robertson House	81,849	---	81,849	81,849
- Mississippi House	69,714	---	69,714	69,714
- Smiths Falls	55,570	---	55,570	55,570
- Perth				

Lanark Renfrew Health & Community Services
Notes to the Financial Statements

March 31, 2020

3. Capital Assets / continued

	2020			2019
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	\$	\$	\$	\$
Buildings	3,252,501	811,525	2,440,976	2,464,792
▶ Office - Carleton Place 1	314,761	3,935	310,826	---
- Carleton Place 2	1,914,520	886,279	1,028,241	1,076,104
- Lanark	28,870	1,353	27,517	28,419
- Beachburg	497,389	74,224	423,165	416,763
- Cobden	286,022	52,676	233,346	240,497
▶ Respite House - Moulton House	390,856	38,677	352,179	347,062
- Robertson House	245,546	9,208	236,338	242,477
- Mississippi House	329,139	135,610	193,529	203,500
- Smiths Falls	261,744	65,585	196,159	204,091
- Perth				
Vehicles	376,468	202,353	174,115	123,802
Furniture and Equipment	670,708	503,581	167,127	125,241
Computer Equipment	712,634	565,176	147,458	119,002
Leasehold Improvements	338,542	332,999	5,543	9,873
	10,274,918	3,683,181	6,591,737	6,171,476

4. Deferred Revenues

	2020	2019
	\$	\$
Beginning balance, related to operating funding	669,566	549,437
Add: amount received related to the following year	856,023	593,308
Less: amount recognized as revenue in the year	(602,531)	(473,179)
Ending balance, related to operating funding	923,058	669,566

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.

Lanark Renfrew Health & Community Services
Notes to the Financial Statements

March 31, 2020

5. Deferred Contributions / continued

The change in the balance is outlined as follows:

	2020	2019
Capital Assets	\$	\$
Balance, Beginning of Year	4,039,567	4,125,810
Add: contributed equipment	397,365	162,546
Less: amounts amortized to revenue	(268,408)	(248,789)
Balance, End of Year	4,168,524	4,039,567

	2020	2019
Deferred Donations	\$	\$
Balance, Beginning of Year	244,368	251,751
Less: amount amortized to revenue	(7,383)	(7,383)
Balance, End of Year	236,985	244,368

6. Long Term Liabilities - Term Loans

	2020	2019
	\$	\$
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.	---	247,500
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, 2020.	---	198,039
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.	---	16,760
	---	462,299
Less: current portion	---	221,420
	---	240,879

Lanark Renfrew Health & Community Services

Notes to the Financial Statements

March 31, 2020

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:

- ▶ 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, 2020, 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, 2020

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:

	\$
2021	30,114
2022	30,114
2023	30,114

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 Children, Community and Social 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.

12. Comparative Figures

Some reclassification of prior year's figures was necessary in order to conform to this year's presentation.
