

**BELLEVILLE & QUINTE WEST
COMMUNITY HEALTH CENTRE**

FINANCIAL STATEMENTS

March 31, 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of
BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE

Opinion

We have audited the financial statements of **BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE**, which comprise the statement of financial position as at March 31, 2019, and the statement of revenue, expenses and changes in net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the management as at March 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the management 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 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 management'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 management or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the management'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 these 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:

INDEPENDENT AUDITOR'S REPORT (continued)

- ♦ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ♦ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- ♦ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belleville, Ontario
May 30, 2019


CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE

Incorporated without share capital under the laws of Ontario

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2019



ASSETS

	2019	2018
CURRENT ASSETS		
Cash	\$ 2,725,586	\$ 2,281,015
Short-term investments - Note 4	655,795	1,042,226
Accounts receivable	157,417	315,476
Government rebate recoverable	332,696	161,457
Prepaid expenses	29,897	84,678
	<u>3,901,391</u>	<u>3,884,852</u>
TANGIBLE CAPITAL ASSETS - Note 5	1,782,634	1,195,776
INTANGIBLE CAPITAL ASSETS - Note 6	<u>9,242</u>	<u>11,553</u>
	<u><u>\$ 5,693,267</u></u>	<u><u>\$ 5,092,181</u></u>

LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 547,056	\$ 556,033
Government remittances payable	69,665	58,967
Deferred revenue	1,229,342	1,503,164
Subsidies repayable - Note 7	<u>2,055,328</u>	<u>1,766,688</u>
	<u>3,901,391</u>	<u>3,884,852</u>
DEFERRED CONTRIBUTIONS - Note 8	<u>1,266,021</u>	<u>848,221</u>
NET ASSETS		
Invested in tangible and intangible capital assets - internally restricted - Note 13	525,855	359,108
Unrestricted	-	-
	<u>525,855</u>	<u>359,108</u>
	<u><u>\$ 5,693,267</u></u>	<u><u>\$ 5,092,181</u></u>

Approved by the Board:

 Director
 Director

(See accompanying notes)

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2019

	<u>Unrestricted</u>	<u>Invested in Tangible and Intangible Capital Assets</u>	<u>2019 Total</u>	<u>2018 Total</u>
REVENUE - per schedule	\$ 7,676,573	\$ 80,478	\$ 7,757,051	\$ 7,671,750
EXPENSES - per schedule	<u>6,693,853</u>	<u>85,193</u>	<u>6,779,046</u>	<u>6,585,479</u>
Excess (deficiency) of revenue over expenses before undernoted item	982,720	(4,715)	978,005	1,086,271
Loss on disposal of capital assets	-	(7,786)	(7,786)	(10,897)
Less: Subsidies repayable - Note 7	<u>(982,720)</u>	<u>-</u>	<u>(982,720)</u>	<u>(1,071,859)</u>
Deficiency of revenue over expenses - Note 10	-	(12,501)	(12,501)	3,515
Contribution of land	-	179,248	179,248	-
NET ASSETS, beginning of year	<u>-</u>	<u>359,108</u>	<u>359,108</u>	<u>355,593</u>
NET ASSETS, end of year	<u><u>\$ -</u></u>	<u><u>\$ 525,855</u></u>	<u><u>\$ 525,855</u></u>	<u><u>\$ 359,108</u></u>

(See accompanying notes)

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
SCHEDULE OF REVENUE AND EXPENSES
YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
REVENUE		
Subsidies - SE LHIN - base	\$ 6,383,660	\$ 6,231,183
- one-time	904,386	1,018,229
Home for Good	61,875	-
Other revenue	326,652	316,578
Amortization of deferred contributions relating to capital assets	<u>80,478</u>	<u>105,760</u>
	<u>7,757,051</u>	<u>7,671,750</u>
EXPENSES		
Amortization of intangible capital assets	2,311	2,888
Amortization of tangible capital assets	82,882	88,459
Benefits	755,806	716,176
Buildings and grounds	523,356	550,786
Contracted out	61,246	10,183
Dental expenditures	416,919	400,913
Equipment	11,012	33,154
Healthlinks expenditures	308,602	276,841
Home for Good	61,875	-
Medical supplies and drugs	27,732	35,374
One-time expenditures	417,201	511,115
Salaries and wages	3,750,716	3,582,384
Supplies and sundry	<u>359,388</u>	<u>377,205</u>
	<u>6,779,046</u>	<u>6,585,478</u>
Excess of revenue over expenses before other expenses	978,005	1,086,272
OTHER EXPENSES		
Loss on disposal of capital assets	<u>7,786</u>	<u>10,897</u>
EXCESS OF REVENUE OVER EXPENSES	<u><u>\$ 970,219</u></u>	<u><u>\$ 1,075,375</u></u>

(See accompanying notes)

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ (12,501)	\$ 3,515
Adjustments for		
Amortization of tangible capital assets	82,882	88,459
Amortization of intangible capital assets	2,311	2,888
Amortization of deferred contributions related to capital assets	(80,478)	(105,759)
Loss on disposal of capital assets	<u>7,786</u>	<u>10,897</u>
	-	-
Change in non-cash working capital components:		
Accounts receivable	158,059	(222,944)
Government rebate recoverable	(171,240)	(62,577)
Prepaid expenses	54,781	(48,064)
Accounts payable and accrued liabilities	(8,976)	234,892
Government remittances payable	10,698	103
Subsidies repayable	288,640	1,002,455
Deferred revenue	<u>(273,822)</u>	<u>(8,328)</u>
	<u>58,140</u>	<u>895,537</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of short-term investments	(655,795)	(1,042,226)
Maturity of short-term investments	1,042,226	1,033,989
Purchase of tangible capital assets	<u>(498,278)</u>	<u>(276,979)</u>
	<u>(111,847)</u>	<u>(285,216)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of contributions restricted for capital asset purposes	<u>498,278</u>	<u>276,979</u>
INCREASE IN CASH	444,571	887,300
CASH, beginning of year	<u>2,281,015</u>	<u>1,393,715</u>
CASH, end of year	<u><u>\$ 2,725,586</u></u>	<u><u>\$ 2,281,015</u></u>

(See accompanying notes)

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

1. PURPOSE OF THE ORGANIZATION

Belleville & Quinte West Community Health Centre is a community governed organization that provides primary health care, health promotion and community capacity-building programming and services to the Belleville and Quinte West communities with a focus on population facing barriers to accessing services and health equity.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Short-term Investments

The purchase and sale of investments are accounted for using settlement date accounting. Transaction costs associated with the acquisition of investments and investment management fees are expensed as incurred.

Tangible Capital Assets and Amortization

Capital assets are stated at acquisition cost. Amortization is provided on a declining balance basis using the following annual rates:

Furniture and equipment	20%
Computer equipment	20%
Leasehold improvements	33.3%

Construction-in-progress is not amortized until construction is complete and the facilities come into use. The building will be amortized at 4% on a declining balance basis when it is put in use.

Intangible Capital Assets

The costs of intangible assets are capitalized upon meeting the criteria for recognition as an intangible asset; otherwise, costs are expensed as incurred. Intangible assets, consisting of computer software are measured at cost less accumulated amortization. Amortization of computer software is provided for on a straight-line basis at an annual rate of 20%.

Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. 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.

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Material and Services

Donated materials and services are recorded at fair market value when the value can be reasonably estimated, the value is greater than \$500 and the Corporation would have paid for the item if it had not been donated.

Volunteers contribute significant time each year to assist the Corporation. These contributions are not recognized in the financial statements.

Use of Estimates

The preparation of financial statements in accordance 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 revenues and expenditures during the reporting year. Management makes accounting estimates when determining the estimated useful life of the Corporation's capital assets, subsidy repayable and accruing liabilities. Actual results could differ from those estimates.

Income taxes

The Corporation is a not-for-profit corporation and is a registered charity under the Income Tax Act and as such is exempt from income taxes.

Financial Instruments

The Corporation initially measures its financial assets and financial liabilities at fair value adjusted by transaction costs in the case where a financial asset or financial liability is subsequently measured at amortized cost.

The Corporation subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash, accounts receivable, government rebate recoverable and prepaid expenses.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities, government remittances payable, deferred revenue and subsidies repayable.

Employee Future Benefits

The Corporation is an employer member of the Healthcare of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Corporation has adopted defined contribution plan accounting principles for this plan as sufficient information is not available to apply defined benefit plan accounting principles.

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

3. FINANCIAL INSTRUMENTS

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's maximum exposure to credit risk represents the sum of the carrying value of its cash, short-term investments and accounts receivable. The Corporation's cash and short-term investments are held with a Chartered bank and therefore it is management's opinion that the Corporation is not subject to significant credit risk with respect to cash and short-term investments. The organization manages credit risk by reviewing accounts receivable aging monthly and following up on outstanding amounts. Management believes that all accounts receivable at year-end will be collected and has not deemed it necessary to establish an allowance for doubtful accounts.

Liquidity Risk

Liquidity risk is that risk that the Corporation cannot meet its commitments when they become due. Liquidity risk also includes the risk of the Corporation not being able to liquidate assets in a timely manner. The Corporation's management manages this risk by reviewing expected cash flow requirements, anticipating investing and financing activities and holding assets that can be readily converted to cash.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value of instruments or future cash flows associated with the instrument will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Corporation's financial instruments are all denominated in Canadian dollars and it transacts primarily in Canadian dollars. As a result, management does not believe it is exposed to significant currency risk.

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

3. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments and future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The Corporation's exposure to interest rate risk is minimal.

The Corporation manages interest rate risk exposure of its short-term investments by maintaining liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Corporation's results of operations.

Other Price Risk

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market. The Corporation manages other price risk by investing in low risk investments.

Changes in Risk

There have been no changes to the Corporation's risk exposure during the year.

4. SHORT-TERM INVESTMENTS

Short-term investments consist of the following:

	<u>2019</u>	<u>2018</u>
Redeemable Guaranteed Investment Certificate- 1.60%, due June 4, 2019	\$ 655,795	\$ -
Redeemable Guaranteed Investment Certificate- 1.12%, due June 5, 2018	<u>-</u>	<u>1,042,226</u>
	<u>\$ 655,795</u>	<u>\$ 1,042,226</u>

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

5. TANGIBLE CAPITAL ASSETS

Tangible capital assets consist of the following:

	2019 Cost	2019 Accumulated amortization	2019 Net	2018 Net
Land	\$ 520,139	\$ -	\$ 520,139	\$ 329,555
Construction-in-progress	943,831	-	943,831	543,623
Furniture and equipment	582,104	344,274	237,830	207,498
Computer equipment	79,169	56,296	22,873	28,591
Leasehold improvements	1,057,553	999,592	57,961	86,509
	<u>\$ 3,182,796</u>	<u>\$ 1,400,162</u>	<u>\$ 1,782,634</u>	<u>\$ 1,195,776</u>

During the year, the Corporation received a donation of land located on the east side of Catherine Street in Quinte West, Ontario. The fair value of the land at the time of the donation was estimated to be \$179,250. The contribution of land was recorded as a direct increase in net assets.

The land will be used for a future development of the Belleville & Quinte West Community Health Centre Trenton site. The development will commence within two years and complete within three years from the date of the registration of the Transfer/Deed, or within any extended period as hereinafter permitted by the terms and conditions of the Agreement of Purchase and Sale (the Agreement). In the event that the terms of the development were not met, the contributor has an irrevocable option to purchase the property at fair market value of any building or improvements to the property, plus the sum of one dollar for the land itself, less any costs incurred by the contributor with respect to the property as prescribed in the Agreement. In the event that the building to be constructed on the property is later vacated by the Corporation and abandoned, then the Corporation is responsible for demolishing the building and transfer the property back to the contributor for one dollar.

6. INTANGIBLE CAPITAL ASSETS

Intangible capital assets consist of the following:

	2019 Cost	2019 Accumulated amortization	2019 Net	2018 Net
Computer software	<u>\$ 41,579</u>	<u>\$ 32,337</u>	<u>\$ 9,242</u>	<u>\$ 11,553</u>

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

7. SUBSIDIES REPAYABLE

Subsidies repayable consist of:

	<u>2019</u>	<u>2018</u>
SE LHIN - 2019	\$ 982,720	\$ -
- 2018	1,071,859	1,071,859
- 2017	<u>749</u>	<u>694,829</u>
	<u>\$ 2,055,328</u>	<u>\$ 1,766,688</u>

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 848,221	\$ 677,001
Contributions received:		
Ministry of Health and Long-Term Care/SE LHIN	498,278	276,980
Less - amounts recognized as revenue	<u>(80,478)</u>	<u>(105,760)</u>
Balance, end of year	<u>\$ 1,266,021</u>	<u>\$ 848,221</u>

9. GOVERNMENT SUBSIDIES

Government subsidies are provided by the Ministry of Health and Long-Term Care/SE LHIN and the Corporation is required to report to the Ministry/SE LHIN as specified in the relevant agreements. The Corporation has not as yet reported to the Ministry/SE LHIN regarding the current year. Any adjustments required on final Ministry/SE LHIN approval will be recorded in the then current fiscal year.

Future operation of the Corporation depends on the continuance of government funding.

10. EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES

The excess (deficiency) of revenue over expenditures for year consists of two components: operating budget and capital assets. After subsidy repayable of \$982,720 the operating budget was in a break even position for the year as shown on the statement of revenue, expenses and changes in net assets as the unrestricted net assets did not change from 2018 to 2019 (\$Nil for both years). The deficiency of revenue over expenses of \$12,501 relates to writing off the capital assets owned by the Corporation over time as the assets are used and depreciate in value as well as a loss on disposal of assets in the current year.

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

11. COMMITMENTS

The Corporation has entered into contracts to purchase project management and architect's services for the construction of the Belleville & Quinte West Community Health Centre Trenton site. Total professional fees are estimated to be \$150,516 and \$548,625 excluding HST, respectively.

The Corporation has commitments under various operating leases for office space. The minimum payments under these leases are as follows:

2020	\$ 357,277
2021	31,045
2022	31,368
2023	18,562

The Corporation received a total of \$1,997,368 of funding in 2014 and 2017 for a capital expansion project. The Corporation received an additional \$196,205 in 2018 for additional site planning. Of the advanced funding, \$400,208 (2018 - \$224,289) was paid for expenditures relating to the project and included in deferred contributions. The remaining advances have been deferred until the remaining expenditures occur. The Ministry has committed to provide funding for completion of the project.

12. LINE OF CREDIT

The Corporation has an operating line of credit with an authorized limit of \$200,000, of which \$Nil (2018 - \$Nil) was utilized at year end. The line of credit bears interest at prime rate.

BELLEVILLE & QUINTE WEST COMMUNITY HEALTH CENTRE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2019

13. INVESTED IN TANGIBLE AND INTANGIBLE CAPITAL ASSETS - INTERNALLY RESTRICTED

Net assets invested in tangible and intangible capital assets consists of the following:

	<u>2019</u>	<u>2018</u>
Tangible capital assets - net	\$ 1,782,634	\$ 1,195,776
Intangible capital assets - net	9,242	11,553
Less: amounts financed by deferred contributions	<u>(1,266,021)</u>	<u>(848,221)</u>
	<u>\$ 525,855</u>	<u>\$ 359,108</u>

During the year, the following changes occurred in invested in tangible and intangible capital assets:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 359,108	\$ 355,593
Tangible capital asset additions	498,278	276,980
Loss on disposal of capital assets	(7,786)	(10,897)
Amortization	(85,193)	(91,347)
Proceeds from deferred contributions	(498,278)	(276,980)
Amortization of deferred contributions	80,478	105,759
Contribution of land	<u>179,248</u>	<u>-</u>
	<u>\$ 525,855</u>	<u>\$ 359,108</u>

14. PENSION PLAN

The Corporation makes contributions to the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer plan on behalf of substantially all of its staff. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan. The actuarial valuation of the HOOPP at December 31, 2018 indicated a surplus of \$13,891,000,000 in the plan.

The amount contributed to HOOPP for 2019 was \$363,658 (2018 - \$342,716) for current service and is included as an expenditure on the "Statement of Revenue, Expenses and Change in Net Assets".

15. COMPARATIVE AMOUNTS

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year earnings.