

Financial Statements of

**LONDON INTERCOMMUNITY HEALTH  
CENTRE**

Year ended March 31, 2018



KPMG LLP  
140 Fullarton Street Suite 1400  
London ON N6A 5P2  
Canada  
Tel 519-672-4880  
Fax 519-672-5684

## INDEPENDENT AUDITORS' REPORT

To the Board of London InterCommunity Health Centre

We have audited the accompanying financial statements of London InterCommunity Health Centre, which comprise the financial position as at March 31, 2018, the statements of operations, changes in unrestricted net assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, and schedules of revenues and expenses.

### *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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these 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 the 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of London InterCommunity Health Centre as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*KPMG LLP*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, serving as a decorative underline.

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 20, 2018

# LONDON INTERCOMMUNITY HEALTH CENTRE

## Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 224,594	\$ 980,358
Accounts receivable	31,480	75,232
Commodity taxes receivable	149,336	76,180
Investments (note 2)	2,823,970	2,893,618
Prepaid expenses	123,513	47,201
	<u>3,352,893</u>	<u>4,072,589</u>
Equipment and leasehold improvements (note 3)	268,351	257,971
	<u>\$ 3,621,244</u>	<u>\$ 4,330,560</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accruals (note 4) *	\$ 602,226	\$ 698,275
Payable to Ministry (note 7)	1,468,617	1,468,617
Deferred revenue, expenses of future periods (note 5)	3,978	11,147
Due to funders (note 6)	897,911	1,560,018
	<u>2,972,732</u>	<u>3,738,057</u>
Deferred contributions, equipment and leasehold improvements (note 7)	262,990	252,609
Unrestricted net assets (note 9)	385,522	339,894
Commitments (note 12)		
Contingency (note 13)		
	<u>\$ 3,621,244</u>	<u>\$ 4,330,560</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# LONDON INTERCOMMUNITY HEALTH CENTRE

## Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Revenues (Schedule):		
Ministry funding	\$ 9,236,911	\$ 8,827,557
Other program funding	410,039	358,090
Other income	256,062	327,553
Interest	10,296	1,130
Donations and fundraising	10,319	2,986
	<u>9,923,627</u>	<u>9,517,316</u>
Expenses (Schedule):		
Primary health wages	6,067,671	5,735,988
Benefits	1,392,795	1,212,350
Rent	461,143	423,532
Translation	203,718	117,526
Purchased services	170,555	180,382
Resources and materials	168,279	174,996
Repairs and maintenance	155,017	140,714
Amortization	113,333	99,130
Consultant fees	104,063	164,080
Telephone	100,334	102,540
Computer expenses	95,046	53,319
Medical supplies	84,708	77,353
Travel and transportation	81,443	88,696
Insurance	60,087	66,353
Furniture and equipment	59,513	45,750
Office expenses	57,852	123,748
Legal and audit fees	35,067	34,563
Memberships	29,051	53,558
Staff development	25,509	36,114
Meeting expenses	20,519	9,158
Recruitment	12,190	22,482
Board expenses	4,636	2,621
	<u>9,502,529</u>	<u>8,964,953</u>
Excess of revenue over expenses before the undernoted	421,098	552,363
Repayable to funders	375,470	551,683
Excess of revenue over expenses	<u>\$ 45,628</u>	<u>\$ 680</u>

See accompanying notes to financial statements.

# LONDON INTERCOMMUNITY HEALTH CENTRE

## Statement of Changes in Unrestricted Net Assets

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Unrestricted net assets, beginning of year	\$ 339,894	\$ 339,214
Excess of revenue over expenses	45,628	680
Unrestricted net assets, end of year	\$ 385,522	\$ 339,894

See accompanying notes to financial statements.

# LONDON INTERCOMMUNITY HEALTH CENTRE

## Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 45,628	\$ 680
Items not involving cash:		
Amortization of equipment and leasehold improvements	113,333	99,130
Amortization of deferred contributions	(113,333)	(99,128)
Changes in non-cash operating working capital:		
Accounts receivable	43,752	71,576
Commodity taxes recoverable	(73,156)	10,715
Prepaid expenses	(76,312)	42,871
Accounts payable and accruals	(96,048)	(46,750)
Deferred revenue, expenses of future periods	(7,169)	(7,116)
Due to funders	(662,107)	504,252
	(825,412)	576,230
Capital activities:		
Contributions received for equipment and leasehold improvements	123,714	132,006
Purchase of equipment and leasehold improvements	(123,714)	(132,007)
	-	(1)
Investing activities:		
Net change in investments	69,648	(24,925)
(Decrease) increase in cash	(755,764)	551,304
Cash, beginning of year	980,358	429,054
Cash, end of year	\$ 224,594	\$ 980,358

See accompanying notes to financial statements.

# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2018

---

## **Nature of operations:**

The London InterCommunity Health Centre (the "Centre") is a non-profit organization which operates a community health centre in London, Ontario. The Centre is incorporated under the laws of the Province of Ontario as a corporation without share capital and is a registered charity under the Income Tax Act.

## **1. Significant accounting policies:**

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards including the 4200 standards for government not-for-profit organizations. The significant accounting policies adopted by the Centre are summarized below:

### **(a) Revenue recognition:**

The Centre follows the deferral method of accounting for contributions which include donations and government grants.

The Centre is funded primarily by the Province of Ontario in accordance with budget arrangements established by the Ministry of Health and Long-Term Care (the "Ministry"). Government transfer payments from the Ministry are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and a reasonable estimate of the amount can be made. Funding that is stipulated to be used for specific purposes is only recognized as revenue in the fiscal year that the related expenses are incurred or services performed. If funding is received for which the related expenses have not yet been incurred or services performed, these amounts are recorded as a liability at year end.

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 those for special projects, other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

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.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Fee revenue is recognized when the services are provided.



# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

---

## 1. Significant accounting policies (continued):

### (b) Equipment and leasehold improvements:

Equipment and leasehold improvements are recorded at cost, less accumulated amortization. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Centre's ability to provide services, its carrying amount is written down to its residual value.

Equipment and leasehold improvements are amortized using the following methods and annual rates:

Asset	Basis	Rate
Furniture	Straight-line	10 years
Computer equipment	Straight-line	3 years
Computer software	Straight-line	3 years

Amortization of leasehold improvements is recorded over the term of the lease plus the first renewal option.

### (c) 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.

### (d) Allocation of expenses:

Expenses are allocated based on management's discretion in reference to departmental budgets approved by Funders.

# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

---

## 1. Significant accounting policies (continued):

### (e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to record such financial instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

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, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The standards require the Centre to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

Level 1 – Unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

The Centre does not incur significant unrealized gains and losses which meet the definition for recognition in the statement of remeasurement gains and losses. Accordingly, no statement of remeasurement gains and losses is presented in these financial statements.

# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

---

## 1. Significant accounting policies (continued):

### (f) Capital management:

In managing capital, the Centre focuses on liquid resources available for operations. The capital objective is to have sufficient liquid resources to continue operations in accordance with the Centre's mission, despite adverse financial events, and to provide resources to take advantage of opportunities. The need for sufficient liquid resources is considered in the preparation of the annual budget, the regular monitoring of cash flows, the comparison of actual results to budget, and adherence with the approved investment policy.

### (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.

### (h) Adoption of new accounting policies:

On April 1, 2017, the Centre adopted Canadian public sector accounting standards *PS 2200 Related party disclosures*, *PS 3420 Inter-entity transactions*, *PS 3210 Assets*, *PS 3320 Contingent Assets*, and *PS 3380 Contractual Rights*.

The adoption of these standards did not result in an accounting policy change, and did not result in any adjustments to the financial statements as at April 1, 2017.

## 2. Investments:

	2018	2017
Savings accounts, measured at amortized cost	\$ 2,687,727	\$ 2,667,616
Common shares, measured at fair value	136,243	125,042
Guaranteed investment certificates, measured at amortized cost	-	100,960
	<u>\$ 2,823,970</u>	<u>\$ 2,893,618</u>

The Centre's investment of excess cash into guaranteed investment certificates matured in September 2017. The Centre did not re-invest excess cash into guaranteed investment certificates in 2018.

Investment in common shares consist of Sunlife shares with a cost of nil.

# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

### 3. Equipment and leasehold improvements:

				2018	2017
	Cost	Accumulated amortization		Net book value	Net book value
Furniture	\$ 238,594	\$ 133,571	\$	105,023	\$ 107,494
Computer equipment	371,216	236,442		134,774	75,362
Computer software	12,665	4,222		8,443	12,665
Leasehold improvements	304,297	284,186		20,111	62,450
	\$ 926,772	\$ 658,421	\$	268,351	\$ 257,971

Amortization expense for the year was \$113,333 (2017 - \$99,130).

### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$30,760 (2017 - \$14,720), which includes amounts payable for payroll related taxes. All amounts are current.

### 5. Deferred revenue, expenses of future periods:

In accordance with the Centre's revenue recognition policy, externally restricted revenues that are received for expenditures of future periods are recorded as deferred revenue at year end. The following highlights the programs and corresponding amounts of deferred revenue:

		2018	2017
Women of the world	\$	3,978	\$ 11,147

### 6. Due to funders:

The Community Health Promotion Branch, Community Health Centre Program of the Ministry, the Ministry of Child and Youth Services, and Public Health Agency of Canada of require repayment of all of the excess of revenue (including interest income on funds advanced) over expenses based on their annual review of the Centre's operating results for the programs funded by them. The amount due to funders is comprised as follows:

		2018	2017
Ministry of Health and Long-Term Care	\$	871,013	\$ 1,556,416
Ministry of Child and Youth Services		5,220	3,602
Public Health Agency of Canada		21,678	-
Due to funders	\$	897,911	\$ 1,560,018

# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

## 7. Deferred contributions, equipment and leasehold improvements:

Deferred contributions related to equipment and leasehold improvements represent contributed capital assets and restricted contributions used to purchase furniture, computer equipment, computer software, and leasehold improvements. These contributions are being amortized into income on the same basis as the related equipment and leasehold improvements. The changes in the deferred contributions balance, which is comprised of unamortized contributions, are as follows:

	2018	2017
Balance, beginning of the year	\$ 252,609	\$ 219,731
Less: Amortization of deferred contributions	(113,333)	(99,128)
Add: Contributions received for capital purposes	123,714	132,006
Balance, end of year	\$ 262,990	\$ 252,609

Amortization of deferred contributions for the year totaled \$113,333 (2017 - \$99,128) and has been included in other income in the statement of operations.

In 2016, the Dundas Retro-Fit Project was cancelled, resulting in unspent capital contributions of \$1,468,617 becoming repayable to the Ministry (2017 - \$1,468,617).

## 8. Employee future benefits:

The Centre is a member of the Healthcare of Ontario Pension Plan (the "HOOPP"). The Plan has a two-tier contribution rate system. Because HOOPP is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of all employers who are members. As a result the Centre does not recognize any share of the HOOPP surplus or deficit. The employer is required to contribute 8.69% (2017 - 8.69%) on the annualized earnings up to the year's maximum pensionable earnings and 11.59% (2017 - 11.95%) on the annualized earnings in excess of the year's maximum pensionable earnings. In 2017, the year's maximum pensionable earnings is set at \$55,900 (2017 - \$55,300). The Plan expense for the year was \$509,343 (2017 - \$474,460) and is included in staff wages and benefits in the statement of operations.

## 9. Unrestricted net assets:

The balance of net assets of \$385,522 (2017 - \$339,894) arises from fund raising projects, donations and other non-government sources. These funds, although subject to the approval of the Centre's Board of Directors, are considered not to be subject to repayment to the government.

# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

---

## 10. Financial risks and concentration of credit risk:

### (a) Liquidity risk:

Liquidity risk is the risk that the Centre will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Centre manages its liquidity risk by monitoring its operating requirements. The Centre prepares budgets and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There have been no changes to the risk exposures from 2017.

### (b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Centre is exposed to credit risk with respect to accounts receivable and investments. The Centre assesses, 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 Centre at March 31, 2018 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 of the allowance for doubtful accounts at March 31, 2018 is nil (2017 - nil).

There have been no significant changes to the credit risk exposure from 2017.

## 11. Capital management:

The Centre manages its capital to ensure that it will be able to continue as a going concern while maximizing its ability to achieve the Centre's mission through suitable debt and accumulated net assets appropriate for an entity of the Centre's size and status. The Centre is not subject to externally imposed capital requirements.

Substantially all of the Centre's funding is received by various government Ministries and must be returned if unspent. As a result, the Centre does not maintain a substantial accumulated net assets balance and considers cash management the most important part of its capital management strategy.

The Centre's overall strategy, with respect to capital risk management, places a primary focus on preserving capital through investments, with the secondary focus being market investment returns. The types of investments held will be determined based on needs for liquidity, regularity of income, and preservation and appreciation of capital. Prudent investor principles are taken into account for all investments. The Centre is required by various Ministries to invest all funding received in excess of operating requirements.

# LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2018

---

## 12. Commitments:

The Centre has the following commitments related to their leased premises:

---

2019	\$	289,510
2020		188,240
2021		91,800
	\$	569,550

---

## 13. Contingency:

As part of the Centre's employee compensation package, employees are allocated a yearly allowance of sick days. These sick days can be carried forward for two years and the employees are only compensated for these days if they are sick. The costs associated with the accumulated sick days have not been accrued in the Centre's financial statements as the future payment of these costs is contingent on the employees' health. The Centre's obligation with respect to accumulated sick days ends when the individual discontinues employment with the Centre.

As of March 31, 2018, the Centre is contingently liable for a total of 1,954 (2017 - 1,886) accumulated sick days with an associated cost, based on current pay rates, of \$530,037 (2017 - \$520,725).

## 14. Comparative information:

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's earnings.

# LONDON INTERCOMMUNITY HEALTH CENTRE

## Schedule - Revenues

Year ended March 31, 2018

	Community Health Centre (LHIN)	Community Support Services (LHIN)	Chronic Disease Management (LHIN)	Public Health Agency of Canada (PHAC)	Programs and unrestricted other Funders	Total
Government funding:						
LHIN global base allocation	\$ 7,309,364	\$ 747,110	\$ -	\$ -	\$ -	\$ 8,056,474
Ministry base allocation	-	-	587,302	-	603,516	1,190,818
Ministry other funding envelopes	-	-	-	67,494	342,545	410,039
Recoveries from other sources	136,185	-	-	-	-	136,185
Donations	128	-	-	-	10,191	10,319
Other funding sources	10,514	-	-	-	119,658	130,172
Government funding on a cash basis	7,456,191	747,110	587,302	67,494	1,075,910	9,934,007
Less: deferred capital contributions	(123,713)	-	-	-	-	(123,713)
Add: amortized deferred capital contributions	113,333	-	-	-	-	113,333
Funding on an accrual basis	\$ 7,445,811	\$ 747,110	\$ 587,302	\$ 67,494	\$ 1,075,910	\$ 9,923,627



# LONDON INTERCOMMUNITY HEALTH CENTRE

## Schedule - Expenses

Year ended March 31, 2018

	Community Health Centre (LHIN)	Community Support Services (LHIN)	Chronic Disease Management (LHIN)	Public Health Agency of Canada (PHAC)	Programs and unrestricted other Funders	Total
<b>Wages and benefits:</b>						
Salaries - direct	\$ 2,895,091	\$ 474,144	\$ 328,340	\$ 35,084	\$ 632,085	\$ 4,364,744
Benefit contributions - direct	728,899	125,614	85,840	8,846	143,290	1,092,489
Salaries- NP	610,561	-	-	-	-	610,561
Benefit contributions - NP	120,614	-	-	-	-	120,614
Salaries - physician	1,256,092	-	-	-	-	1,256,092
Benefit contributions - physician	179,692	-	-	-	-	179,692
	<u>5,790,949</u>	<u>599,758</u>	<u>414,180</u>	<u>43,930</u>	<u>775,375</u>	<u>7,624,192</u>
<b>Operating:</b>						
Medical/surgical supplies & drugs	64,932	-	1,915	-	17,860	84,707
Supplies and sundry expenses	551,408	33,528	73,108	1,886	119,317	779,247
Equipment expenses	119,307	540	-	-	5,689	125,536
Contracted out expense	158,122	16,985	34,320	-	1,120	210,547
Buildings and grounds expense	510,841	41,328	2,802	-	9,996	564,967
	<u>1,404,610</u>	<u>92,381</u>	<u>112,145</u>	<u>1,886</u>	<u>153,982</u>	<u>1,765,004</u>
Total expenses before amortization	7,195,559	692,139	526,325	45,816	929,357	9,389,196
Amortization	113,333	-	-	-	-	113,333
Total expenses	<u>\$ 7,308,892</u>	<u>\$ 692,139</u>	<u>\$ 526,325</u>	<u>\$ 45,816</u>	<u>\$ 929,357</u>	<u>\$ 9,502,529</u>