

Financial Statements of

**LONDON INTERCOMMUNITY
HEALTH CENTRE**

And Independent Auditors' Report thereon

Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of London InterCommunity Health Centre

Opinion

We have audited the financial statements of London InterCommunity Health Centre (the Entity), which comprise:

- the financial position as at March 31, 2019
- the statement of operations for the year then ended
- the statement of changes in unrestricted net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies
- and schedules of revenues and expenses

(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, 2019 and its results of operations, its changes in unrestricted 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 auditors' 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 accounting standards for private enterprises, 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.

Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 19, 2019

LONDON INTERCOMMUNITY HEALTH CENTRE

Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash	\$ 3,551,021	\$ 224,594
Accounts receivable	33,149	31,480
Commodity taxes receivable	319,080	149,336
Investments (note 2)	136,243	2,823,970
Prepaid expenses	99,849	123,513
	4,139,342	3,352,893
Equipment and leasehold improvements (note 3)	551,981	268,351
	\$ 4,691,323	\$ 3,621,244

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accruals (note 4)	\$ 1,019,924	\$ 602,226
Payable to Ministry (note 7)	1,487,768	1,468,617
Deferred revenue, expenses of future periods (note 5)	-	3,978
Due to funders (note 6)	1,188,114	897,911
	3,695,806	2,972,732
Deferred contributions, equipment and leasehold improvements (note 7)	545,259	262,990
Unrestricted net assets (note 9)	450,258	385,522
Commitments (note 12)		
Contingency (note 13)		
	\$ 4,691,323	\$ 3,621,244

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

LONDON INTERCOMMUNITY HEALTH CENTRE

Statement of Operations

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Revenues (Schedule):		
Ministry funding	\$ 10,465,614	\$ 9,236,911
Other program funding	407,644	410,039
Other income	342,568	256,062
Interest	-	10,296
Donations and fundraising	59,764	10,319
	<u>11,275,590</u>	<u>9,923,627</u>
Expenses (Schedule):		
Primary health wages	6,642,581	6,067,671
Benefits	1,496,413	1,392,795
Rent	471,067	461,143
Translation	261,767	203,718
Purchased services	167,864	170,555
Resources and materials	154,204	168,279
Repairs and maintenance	153,233	155,017
Computer expenses	151,621	95,046
Amortization	116,733	113,333
Medical supplies	100,019	84,708
Telephone	98,658	100,334
Office expenses	92,932	57,852
Travel and transportation	88,790	81,443
Furniture and equipment	53,720	59,513
Insurance	48,512	60,087
Memberships	41,725	29,051
Staff development	40,317	25,509
Legal and audit fees	38,581	35,067
Consultant fees	31,451	104,063
Meeting expenses	26,281	20,519
Recruitment	22,052	12,190
Board expenses	8,530	4,636
	<u>10,307,051</u>	<u>9,502,529</u>
Excess of revenue over expenses before the undernoted	968,539	421,098
Repayable to funders	903,804	375,470
Excess of revenue over expenses	<u>\$ 64,735</u>	<u>\$ 45,628</u>

See accompanying notes to financial statements.

LONDON INTERCOMMUNITY HEALTH CENTRE

Statement of Changes in Unrestricted Net Assets

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Unrestricted net assets, beginning of year	\$ 385,522	\$ 339,894
Excess of revenue over expenses	64,735	45,628
Unrestricted net assets, end of year	\$ 450,258	\$ 385,522

See accompanying notes to financial statements.

LONDON INTERCOMMUNITY HEALTH CENTRE

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 64,735	\$ 45,628
Items not involving cash:		
Amortization of equipment and leasehold improvements	116,733	113,333
Amortization of deferred contributions	(116,733)	(113,333)
Changes in non-cash operating working capital:		
Accounts receivable	(1,669)	43,752
Commodity taxes recoverable	(169,743)	(73,156)
Prepaid expenses	23,664	(76,312)
Accounts payable and accruals	417,698	(96,048)
Payable to Ministry	19,151	-
Deferred revenue, expenses of future periods	(3,978)	(7,169)
Due to funders	290,203	(662,107)
	640,061	(825,412)
Capital activities:		
Contributions received for equipment and leasehold improvements	399,002	123,714
Purchase of equipment and leasehold improvements	(400,363)	(123,714)
	(1,361)	-
Investing activities:		
Net change in investments	2,687,727	69,648
Increase (decrease) in cash	3,326,427	(755,764)
Cash, beginning of year	224,594	980,358
Cash, end of year	\$ 3,551,021	\$ 224,594

See accompanying notes to financial statements.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2019

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, 2019

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 remaining term of the lease plus the first renewal option.

Amortization of a specific asset is not recorded until the asset has been placed into use. Construction in progress comprises construction and development costs and capitalized interest. No amortization is recorded until construction is substantially complete and the assets are ready for productive use.

(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, 2019

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, 2019

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, 2018, the Centre adopted Canadian public sector accounting standard *PS 3430 Restructuring transactions*.

The adoption of this standard did not result in an accounting policy change, and did not result in any adjustments to the financial statements as at April 1, 2018.

2. Investments:

	2019	2018
Savings accounts, measured at amortized cost	\$ -	\$ 2,687,727
Common shares, measured at fair value	136,243	136,243
	\$ 136,243	\$ 2,823,970

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, 2019

3. Equipment and leasehold improvements:

				2019	2018
	Cost	Accumulated amortization		Net book value	Net book value
Furniture	\$ 340,798	\$ 158,349	\$	182,449	\$ 105,023
Computer equipment	490,992	302,693		188,299	134,774
Computer software	12,665	8,444		4,221	8,443
Leasehold improvements	378,752	304,306		74,446	20,111
Construction in progress	102,566	-		102,566	-
	\$ 1,325,773	\$ 773,792	\$	551,981	\$ 268,351

Amortization expense for the year was \$116,733 (2018 - \$113,333).

4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$108,860 (2018 - \$84,982), 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:

		2019	2018
Women of the world	\$	-	\$ 3,978

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:

		2019	2018
Ministry of Health and Long-Term Care	\$	1,178,360	\$ 871,013
Ministry of Child and Youth Services		5,680	5,220
Public Health Agency of Canada		4,074	21,678
Due to funders	\$	1,188,114	\$ 897,911

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2019

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:

	2019	2018
Balance, beginning of the year	\$ 262,990	\$ 252,609
Less: Amortization of deferred contributions	(116,733)	(113,333)
Add: Contributions received for capital purposes	399,002	123,714
Balance, end of year	\$ 545,259	\$ 262,990

Amortization of deferred contributions for the year totaled \$116,733 (2018 - \$113,333) 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 \$1,487,768 becoming repayable to the Ministry (2018 - \$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% (2018 - 8.69%) on the annualized earnings up to the year's maximum pensionable earnings and 11.59% (2018 - 11.59%) on the annualized earnings in excess of the year's maximum pensionable earnings. In 2019, the year's maximum pensionable earnings is set at \$57,400 (2018 - \$55,900). The Plan expense for they year was \$568,678 (2018 - \$509,343) and is included in staff wages and benefits in the statement of operations.

9. Unrestricted net assets:

The balance of net assets of \$450,258 (2018 - \$385,522) 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, 2019

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 2018.

(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, 2019 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, 2019 is nil (2018 - nil).

There have been no significant changes to the credit risk exposure from 2018.

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, 2019

12. Commitments:

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

2020	\$	312,359
2021		140,892
2022		51,049
2023		51,227
2024		51,227
Thereafter		4,269
	\$	611,023

The Centre is currently undertaking a construction project to their 1700 Dundas Street location. The agreement will proceed as leasehold improvements to the property, which will be funded through the IPC funding received from the LHIN. On January 14, 2019, The Centre entered into a lease agreement with Vantage Property Management Ltd. to build and finance the construction of the improvements to the leased property. The costs of a portion of the work have a guaranteed a price of \$194,830 plus HST. This cost is in addition to the commitments above. The Centre is to incur the remaining share of the costs.

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, 2019, the Centre is contingently liable for a total of 1,746 (2018 - 1,954) accumulated sick days with an associated cost, based on current pay rates, of \$484,050 (2018 - \$530,037).

LONDON INTERCOMMUNITY HEALTH CENTRE

Schedule - Revenues

Year ended March 31, 2019

	Community Health Centre (LHIN)	Community Support Services (LHIN)	Public Health Agency of Canada (PHAC)	Programs and unrestricted other Funders	Total
Government funding:					
LHIN global base allocation	\$ 9,491,946	\$ 760,054	\$ -	\$ -	\$ 10,252,000
Ministry base allocation	-	-	-	612,616	612,616
Ministry other funding envelopes	-	-	67,344	340,300	407,644
Recoveries from other sources	145,545	-	-	-	145,545
Donations	355	-	-	59,409	59,764
Other funding sources	-	-	-	80,290	80,290
Government funding on a cash basis	9,637,846	760,054	67,344	1,092,615	11,557,859
Less: deferred capital contributions	(399,002)	-	-	-	(399,002)
Add: amortized deferred capital contributions	116,733	-	-	-	116,733
Funding on an accrual basis	\$ 9,355,577	\$ 760,054	\$ 67,344	\$ 1,092,615	\$ 11,275,590

LONDON INTERCOMMUNITY HEALTH CENTRE

Schedule - Expenses

Year ended March 31, 2019

	Community Health Centre (LHIN)	Community Support Services (LHIN)	Public Health Agency of Canada (PHAC)	Programs and unrestricted other Funders	Total
Wages and benefits:					
Salaries - direct	\$ 3,510,057	\$ 464,127	\$ 50,404	\$ 639,633	\$ 4,664,221
Benefit contributions - direct	981,620	142,581	11,507	185,065	1,320,773
Salaries- NP	712,272	-	-	-	712,272
Benefit contributions - NP	150,409	-	-	-	150,409
Salaries - physician	1,243,176	-	-	-	1,243,176
Benefit contributions - physician	207,809	-	-	-	207,809
	6,805,343	606,708	61,911	824,698	8,298,660
Operating:					
Medical/surgical supplies & drugs	72,886	-	-	12,028	84,914
Supplies and sundry expenses	536,447	39,826	1,358	140,343	717,974
Equipment expenses	163,257	2,090	-	12,357	177,704
Contracted out expense	249,129	14,720	-	2,045	265,894
Buildings and grounds expense	593,598	41,328	-	10,246	645,172
	1,615,317	97,964	1,358	177,019	1,891,658
Total expenses before amortization	8,420,660	704,672	63,269	1,001,717	10,190,318
Amortization	116,733	-	-	-	116,733
Total expenses	\$ 8,537,393	\$ 704,672	\$ 63,269	\$ 1,001,717	\$ 10,307,051