

Financial Statements of

**LONDON INTERCOMMUNITY
HEALTH CENTRE**

And Independent Auditors' Report thereon

Year ended March 31, 2021



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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, 2021
- 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, 2021 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 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.

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.



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- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

London, Canada

June 16, 2021

LONDON INTERCOMMUNITY HEALTH CENTRE

Statement of Financial Position

March 31, 2021, with comparative information for 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 4,200,429	\$ 3,388,747
Accounts receivable	81,758	47,052
Commodity taxes receivable	562,468	378,794
Investment (note 2)	163,348	116,434
Prepaid expenses	247,701	282,047
Due from funders (note 3)	380,210	83,844
	<u>5,635,914</u>	<u>4,296,918</u>
Equipment and leasehold improvements (note 4)	556,871	515,477
	<u>\$ 6,192,785</u>	<u>\$ 4,812,395</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accruals (note 5)	\$ 948,875	\$ 985,059
Payable to Ministry (note 6)	1,487,768	1,487,768
Deferred revenue, expenses of future periods	430,736	-
Due to funders (note 3)	2,317,616	1,429,755
	<u>5,184,995</u>	<u>3,902,582</u>
Deferred contributions, equipment and leasehold improvements (note 6)	550,149	508,755
Unrestricted net assets (note 8)	457,641	401,058
Commitments (note 11)		
Contingency (note 12)		
	<u>\$ 6,192,785</u>	<u>\$ 4,812,395</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, 2021, with comparative information for 2020

	2021	2020
Revenues:		
Ministry funding	\$ 12,420,153	\$ 11,227,347
Other program funding	1,525,831	492,709
Other income	605,700	239,751
	<u>14,551,684</u>	<u>11,959,807</u>
Expenses:		
Primary health wages	8,400,409	7,355,170
Benefits	1,848,786	1,661,864
Purchased services	707,648	303,344
Rent	525,056	615,379
Translation	260,177	322,841
Resources and materials	248,623	183,300
Consultant fees	200,305	70,436
Medical supplies	189,034	117,115
Repairs and maintenance	159,666	165,302
Amortization	141,214	141,137
Telephone	122,889	115,532
Furniture and equipment	121,084	50,365
Office expenses	89,250	69,212
Travel and transportation	79,253	106,824
Insurance	45,451	56,305
Memberships	41,168	51,179
Legal and audit fees	36,604	33,300
Staff development	20,710	48,956
Non-recurring expenses	18,306	-
Computer expenses	17,787	180,411
Recruitment	15,589	65,710
Meeting expenses	5,789	24,090
Board expenses	2,981	4,808
	<u>13,297,779</u>	<u>11,742,580</u>
Excess of revenue over expenses before the undernoted	1,253,905	217,227
Repayable to funders	1,197,322	266,426
Excess (deficiency) of revenue over expenses	<u>\$ 56,583</u>	<u>\$ (49,199)</u>

See accompanying notes to financial statements.

LONDON INTERCOMMUNITY HEALTH CENTRE

Statement of Changes in Unrestricted Net Assets

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Unrestricted net assets, beginning of year	\$ 401,058	\$ 450,257
Excess (deficiency) of revenue over expenses	56,583	(49,199)
Unrestricted net assets, end of year	\$ 457,641	\$ 401,058

See accompanying notes to financial statements.

LONDON INTERCOMMUNITY HEALTH CENTRE

Statement of Cash Flows

Year ended March 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	\$ 56,583	\$ (49,199)
Items not involving cash:		
Amortization of equipment and leasehold improvements	141,214	141,137
Amortization of deferred contributions	(141,214)	(141,137)
Unrealized loss (gain) on investment	(46,914)	19,809
Changes in non-cash operating working capital:		
Accounts receivable	(34,706)	(13,903)
Commodity taxes recoverable	(183,674)	(59,714)
Prepaid expenses	34,346	(182,198)
Due from funders	(296,366)	(83,844)
Accounts payable and accruals	(36,184)	(34,866)
Deferred revenue, expenses of future periods	430,736	-
Due to funders	887,861	241,641
	811,682	(162,274)
Capital activities:		
Contributions received for equipment and leasehold improvements	182,608	104,633
Purchase of equipment and leasehold improvements	(182,608)	(104,633)
	-	-
Increase (decrease) in cash	811,682	(162,274)
Cash, beginning of year	3,388,747	3,551,021
Cash, end of year	\$ 4,200,429	\$ 3,388,747

See accompanying notes to financial statements.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements

Year ended March 31, 2021

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 (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, 2021

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

(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.

(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.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(e) Financial instruments (continued):

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.

(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.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2021

1. Significant accounting policies (continued):

(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.

2. Investment:

	2021	2020
Common shares, measured at fair value	\$ 163,348	\$ 116,434

Investment in common shares consist of Sun Life shares with a cost of nil.

3. Due to/from 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 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:

	2021	2020
Ministry of Health	\$ 2,262,802	\$ 1,416,683
Ministry of Child and Youth Services	25,700	8,996
Public Health Agency of Canada	29,114	4,076
Due to funders	\$ 2,317,616	\$ 1,429,755

On an annual basis Health Canada provides advance contribution payments to the Centre for programming. Advance payments that are not fully expended during the year may be clawed back or permitted for retention and future use. Expenditures made in advance of funding received that are owed to the Centre are recorded as due from funders. At year end, \$380,210 (2020 - \$83,844) was owing from funders.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2021

4. Equipment and leasehold improvements:

				2021	2020
	Cost	Accumulated amortization		Net book value	Net book value
Furniture	\$ 451,654	\$ 222,536	\$	229,118	\$ 189,882
Computer equipment	601,816	484,295		117,521	163,899
Computer software	47,727	12,665		35,062	-
Leasehold improvements	511,817	336,647		175,170	161,696
	\$ 1,613,014	\$ 1,056,143	\$	556,871	\$ 515,477

Amortization expense for the year was \$141,214 (2020 - \$141,137).

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$65,893 (2020 - \$64,201), which includes amounts payable for payroll related taxes. All amounts are current.

6. Deferred contributions, equipment and leasehold improvements:

Deferred contributions related to equipment and leasehold improvements represent 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:

		2021	2020
Balance, beginning of the year	\$	508,755	\$ 545,259
Less: Amortization of deferred contributions		(141,214)	(141,137)
Add: Contributions received for capital purposes		182,608	104,633
Balance, end of year	\$	550,149	\$ 508,755

Amortization of deferred contributions for the year totaled \$141,214 (2020 - \$141,137) 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 (2020 - \$1,487,768). The amount is non-interest bearing and has no fixed terms of repayment.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2021

7. Employee future benefits:

The Centre is a member of the Healthcare of Ontario Pension Plan (the "Plan"). The Plan provides pension services to more than 398,000 active and retired members and approximately 610 employers. Each year an independent actuary determines the funding status of the Plan by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan for accounting purposes was completed at December 31, 2020. The audited financial statements of the Plan at December 31, 2020, disclose a net assets value of \$103.983 billion with accrued going concern liabilities relating to pension obligations of \$79.852 billion, resulting in a surplus of \$24.131 billion (2020 - \$20.555 billion).

The Plan has a two-tier contribution rate system. As the Plan 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 Plan surplus or deficit. The employer is required to contribute 8.69% (2020 - 8.69%) on the annualized earnings up to the year's maximum pensionable earnings and 11.59% (2020 - 11.59%) on the annualized earnings in excess of the year's maximum pensionable earnings. In 2021, the year's maximum pensionable earnings was set at \$61,600 (2020 - \$58,700). The Plan expense for the year was \$705,244 (2020 - \$614,576) and is included in staff wages and benefits in the statement of operations.

8. Unrestricted net assets:

The balance of net assets of \$457,641 (2020 - \$401,058) 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.

9. 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 2020.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Concentration of risk (continued):

(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, 2021 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, 2021 is nil (2020 - nil).

There have been no significant changes to the credit risk exposure from 2020.

(c) Other risks:

On March 11, 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak a pandemic. This has resulted in significant financial, market, and societal impacts in Canada and around the world.

At the time of approval of these financial statements, the entity has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- temporary closure of certain facilities, and subsequent service reduction to the general public through implementation of visitor restrictions;
- mandatory screening of all staff and visitors for COVID-19 symptoms;
- implementation of quarantine measures for all staff and physicians who had travelled outside of Canada, or those who are identified as a close contact of a probable/confirmed case;
- creation of an assessment centre to deal with screening and testing activities and the creation of vaccine clinics to provide equitable access to community members; and
- the implementation of working from home requirements for Centre employees.

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2021

9. Concentration of risk (continued):

(c) Other risks (continued):

The ultimate duration and magnitude of the COVID-19 pandemic's impact on the Centre's operations and financial position is not known at this time. These impacts could include a decline in future cash flows, changes to the value of assets and liabilities, and the use of accumulated unrestricted net assets to sustain operations. An estimate of the financial effect of the pandemic on the Centre is not practicable at this time.

10. 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.

11. Commitments:

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

2022	\$	469,889
2023		477,415
2024		491,691
2025		452,259
2026		455,516
Thereafter		1,791,248
	\$	4,138,018

LONDON INTERCOMMUNITY HEALTH CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2021

12. 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, 2021, the Centre is contingently liable for a total of 2,028 (2020 - 2,353) accumulated sick days with an associated cost, based on current pay rates, of \$597,490 (2020 - \$656,214).