

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD**

FINANCIAL STATEMENTS

March 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Directors of
**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD**

We have audited the accompanying financial statements of **ADDICTIONS AND MENTAL HEALTH SERVICES HASTINGS PRINCE EDWARD**, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management using the basis of accounting described in Note 2 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in note 2 to the financial statements as prescribed by the Ministry of Health and Long-term Care/South East Local Health Integration Network, 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.

Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the Corporation'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 Corporation'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **ADDICTIONS AND MENTAL HEALTH SERVICES HASTINGS PRINCE EDWARD** as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in note 2 to the financial statements.

INDEPENDENT AUDITOR'S REPORT (continued)

Basis of Accounting

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist **ADDICTIONS AND MENTAL HEALTH SERVICES HASTINGS PRINCE EDWARD** to comply with the requirements of the Ministry of Health and Long-term Care/South East Local Health Integration Network. As a result, the financial statements may not be suitable for another purpose.

Trenton, Ontario
June 26, 2017

Welch LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD**

(Incorporated without share capital under the laws of Ontario)

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2017

ASSETS

	2017	2016
CURRENT ASSETS		
Cash	\$ 1,053,750	\$ 987,592
Accounts receivable - Note 4	297,435	114,015
Prepaid expenses	28,045	37,006
	1,379,230	1,138,613
TRUST FUNDS - cash in bank - Note 5	11,637	37,370
CAPITAL RESERVE - Note 6	78,043	71,380
CAPITAL ASSETS - Note 7	311,033	322,529
	\$ 1,779,943	\$ 1,569,892

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 294,882	\$ 294,411
Accrued wages and vacation	232,154	237,501
Government remittances payable	101,979	125,688
Subsidies repayable to funders	261,201	31,918
Deferred revenues - Note 8	95,642	98,409
Current portion of long-term debt	17,942	18,489
	1,003,800	806,416
TRUST LIABILITIES - owing to clients - Note 5	11,637	37,370
MORTGAGES PAYABLE - Note 10	126,537	143,584
DEFERRED CAPITAL CONTRIBUTIONS - Note 11	95,620	82,191
TOTAL LIABILITIES	1,237,594	1,069,561
NET ASSETS		
Capital Reserve	78,043	71,380
Invested in capital assets - internally restricted	70,934	78,265
Unrestricted	393,372	350,686
	542,349	500,331
	\$ 1,779,943	\$ 1,569,892

Approved by the Board:

 Director

 Director

(See accompanying notes)

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2017**

	Capital Reserve	Invested in capital assets Internally restricted	Unrestricted	2017 Total	2016 Total
Balance, beginning of year	\$ 71,380	\$ 78,265	\$ 350,686	\$ 500,331	\$ 437,617
Excess of revenue over expenses	-	-	35,355	35,355	74,267
Contribution	3,580	-	-	3,580	3,580
One-time contribution - MOHLTC	2,800	-	-	2,800	-
Interest	283	-	-	283	74
Capital Reserve qualifying expenditures	-	-	-	-	(15,207)
Capital additions	-	43,845	(43,845)	-	-
Deferred capital funding	-	(35,590)	35,590	-	-
Amortization	-	(55,341)	55,341	-	-
Amortization of deferred capital contributions	-	22,161	(22,161)	-	-
Principal payments on debt	-	17,594	(17,594)	-	-
Balance, end of year	\$ 78,043	\$ 70,934	\$ 393,372	\$ 542,349	\$ 500,331

(See accompanying notes)

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
REVENUE		
LHIN base funding	\$ 5,894,002	\$ 5,696,318
LHIN one time funding	758,904	732,958
MOHLTC funding	529,584	336,072
MOHLTC one time funding	2,800	-
Other provincial funding	<u>36,000</u>	<u>106,566</u>
Total provincial funding	<u>7,221,290</u>	<u>6,871,914</u>
Recoveries	65,834	72,489
Rental	119,060	112,765
Investment	-	(849)
Donations	18,857	22,669
Other	<u>522</u>	<u>307</u>
Total other revenue	<u>204,273</u>	<u>207,381</u>
	<u>7,425,563</u>	<u>7,079,295</u>
EXPENSES		
Salaries	4,027,608	3,783,734
Benefits	1,000,113	885,713
Purchased psychiatry	164,700	161,553
Other supplies and services	1,027,430	1,380,360
Occupancy costs	834,006	681,256
Contributions to Capital Reserve	3,580	3,580
One time Capital Reserve funding contribution	<u>2,800</u>	<u>-</u>
	<u>7,060,237</u>	<u>6,896,196</u>
Excess of revenue over expenses before other items	365,326	183,099
Amortized grant revenue	22,161	10,183
Amortization expense	(55,341)	(38,515)
Amounts deferred for capital assets	(35,590)	(69,582)
Subsidies repayable to funders	<u>(261,201)</u>	<u>(10,918)</u>
EXCESS OF REVENUE OVER EXPENSES	<u>\$ 35,355</u>	<u>\$ 74,267</u>

(See accompanying notes)

**ADDITIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
SCHEDULE OF OPERATIONAL RESULTS BY PROGRAM
YEAR ENDED MARCH 31, 2017**

	LHIN FUNDED PROGRAMS			MOHLTC FUNDED PROGRAMS				OTHER SERVICES TOTAL	2017 AGENCY TOTAL	2016 AGENCY TOTAL
	MENTAL HEALTH	ADDITIONS SERVICES	PROBLEM GAMBLING	MENTAL HEALTH SUPPORTIVE HOUSING	MENTAL HEALTH HOMELESSNESS	ADDITIONS RENT SUPPLEMENTS				
REVENUE										
LHIN base funding	\$ 4,053,978	\$ 1,762,511	\$ 77,513	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,894,002	\$ 5,696,318
LHIN one time funding	758,904	-	-	-	-	-	-	-	758,904	732,958
MOHLTC funding	-	-	-	52,816	310,768	166,000	-	-	529,584	336,072
MOHLTC one time funding	-	-	-	2,800	-	-	-	-	2,800	-
Other provincial funding	-	-	-	-	-	-	-	36,000	36,000	106,566
Total provincial funding	4,812,882	1,762,511	77,513	55,616	310,768	166,000	-	36,000	7,221,290	6,871,914
Recoveries	24,996	-	-	-	-	-	-	40,838	65,834	72,489
Rental	-	-	-	19,900	98,784	376	-	-	119,060	112,765
Investment	-	-	-	-	-	-	-	-	-	(849)
Donations	-	-	-	-	-	-	-	18,857	18,857	22,669
Other	174	-	-	-	-	-	-	348	522	307
Total other revenue	25,170	-	-	19,900	98,784	376	-	60,043	204,273	207,381
	4,838,052	1,762,511	77,513	75,516	409,552	166,376	-	96,043	7,425,563	7,079,295
EXPENSES										
Salaries	2,817,632	1,140,125	45,453	-	-	-	-	24,398	4,027,608	3,783,734
Benefits	711,872	269,838	11,882	-	-	-	-	6,521	1,000,113	885,713
Purchased psychiatry	164,700	-	-	-	-	-	-	-	164,700	161,553
Other supplies and services	708,244	247,384	10,469	25,183	22,957	2,856	-	10,338	1,027,431	1,380,360
Occupancy costs	223,550	107,554	3,979	22,466	354,182	122,274	-	-	834,005	681,256
Contributions to Capital Reserve	-	-	-	3,580	-	-	-	-	3,580	3,580
One time Capital Reserve funding contribution	-	-	-	2,800	-	-	-	-	2,800	-
	4,625,998	1,764,901	71,783	54,029	377,139	125,130	-	41,257	7,060,237	6,896,196
Excess (deficiency) of revenue over expenses before other items	212,054	(2,390)	5,730	21,487	32,413	41,246	-	54,786	365,326	183,099
Amortized grant revenue	22,161	-	-	-	-	-	-	-	22,161	10,183
Amortization expense	(37,747)	-	-	(17,594)	-	-	-	-	(55,341)	(38,515)
Amounts deferred for capital assets	(35,590)	-	-	-	-	-	-	-	(35,590)	(69,582)
Subsidies repayable to funders	(181,812)	-	(5,730)	-	(32,413)	(41,246)	-	-	(261,201)	(10,918)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(\$ 20,934)	(\$ 2,390)	\$ -	\$ 3,893	\$ -	\$ -	\$ -	\$ 54,786	\$ 35,355	\$ 74,267

(See accompanying notes)

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 35,355	\$ 74,267
Adjustments for:		
Amortized grant revenue	(22,161)	(10,183)
Amortization expense	<u>55,341</u>	<u>38,515</u>
	68,535	102,599
Change in non-cash working capital components	<u>23,472</u>	<u>(94,495)</u>
	<u>92,007</u>	<u>8,104</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(43,845)	(95,828)
Capital funding received	35,590	69,582
Proceeds from investments	<u>-</u>	<u>123,470</u>
	<u>(8,255)</u>	<u>97,224</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on long-term debt	<u>(17,594)</u>	<u>(17,256)</u>
INCREASE IN CASH DURING THE YEAR	66,158	88,072
CASH, beginning of year	<u>987,592</u>	<u>899,520</u>
CASH, end of year	<u><u>\$ 1,053,750</u></u>	<u><u>\$ 987,592</u></u>

(See accompanying notes)

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

1. NATURE OF OPERATIONS

These financial statements reflect the activities of Addictions and Mental Health Services Hastings Prince Edward (AMHS-HPE), a non-profit organization incorporated without share capital. The Corporation provides client-focused addictions and mental health care in the form of programs, case management, housing and housing supports, counselling, court diversion, networking, education and assessments to individuals 16 years and older in Hastings and Prince Edward Counties. The Corporation is exempt from income tax under paragraph 149(1) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the basis of accounting required by the Ministry of Health and Long-Term Care (MOHLTC)/South East Local Health Integration Network (LHIN). The basis of accounting used in these financial statements materially differs from Canadian accounting standards for not-for-profit organizations as follows:

a) Capital Assets

Real property is recorded at the transfer amount from a predecessor entity, being the book values at April 1, 2003.

b) Amortization

Amortization is provided on land, building and furniture and equipment purchased from loans insured by CMHC at a rate equal to the annual principal reduction of the related mortgage, rather than over their estimated lives.

c) Capital Reserve

The Capital Reserve is funded by an annual charge against earnings as opposed to an appropriation of surplus.

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 expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and its collection is reasonably assured.

Other revenues, including rent and investment income are recognized as earned.

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided over their estimated useful lives on a straight line basis using the following rates:

- Building - 25 years
- Parking lot - 13 years
- Range hood - 10 years
- Furniture and fixtures - 5 years
- Leasehold improvements - 5 years
- Vehicles - 5 years
- Computer hardware - 3 years
- Computer software - 3 years

Financial Instruments

The Corporation's cash is initially recognized and subsequently measured at fair value. All other financial instruments are subsequently measured at amortized cost.

Donated Materials and Services

Donated materials are recorded at fair value at the date of contribution. Donated services are not recorded by the Corporation due to the difficulty of determining their fair value. There were no donated materials received during the year.

Use of Estimates

The preparation of financial statements in conformity 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 expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected. Significant estimates include those used when accounting for amortization of capital assets, recording subsidies repayable and recording accrued liabilities.

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

3. FINANCIAL INSTRUMENTS

Credit Risk

The Corporation is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Corporation's maximum exposure to credit risk represents the sum of the carrying value of its cash, its accounts receivable and its capital reserve cash. The Corporation's cash and reserve cash are deposited with a chartered bank and, as a result, management believes the risk of loss on these items to be remote. The Corporation's accounts receivable are largely limited to amounts due from governments or other agencies. 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 the risk that the Corporation cannot meet a demand for cash or fund its obligations as they become due. The Corporation manages this risk by preparing budgets, reviewing future cash flow requirements and maintaining reserves.

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 refers to the risk that the fair value of instruments or future cash flows associated with the instruments 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.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates. The Corporation is not exposed to interest rate risk since it has no interest bearing investments and no debts subject to variable interest rates.

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

3. FINANCIAL INSTRUMENTS (continued)

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 is not exposed to other price risk.

Changes in Risk

There have been no changes in the Corporation's risk exposures from the prior year.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2017	2016
Subsidies	\$ 218,768	\$ -
HST rebate	63,494	93,481
Owing from capital reserve	1,448	7,828
Other receivables	13,725	12,706
Total	\$ 297,435	\$ 114,015

5. TRUST FUNDS

The Corporation acts as financial trustee for some of its clients who have difficulty managing their finances and have a high risk of becoming homeless. At March 31, 2017, the total trust monies held in four bank accounts for clients was \$11,637.

6. CAPITAL RESERVE

Under the terms of the original agreement with the Ontario Ministry of Health and Long-Term Care, the Corporation must maintain a capital reserve. The annual amount to be contributed to the reserve is defined in the Corporation's operating agreement or approved budget. The cash and investments of the reserve are restricted and can only be used for capital expenditures as defined in the program guidelines. Capital expenditures should be funded from this reserve. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the Ministry from time to time.

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

6. CAPITAL RESERVE (continued)

At the year end, the capital reserve consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ 79,491	\$ 79,208
Due to operations	(1,448)	(7,828)
	<u>\$ 78,043</u>	<u>\$ 71,380</u>

7. CAPITAL ASSETS

Capital assets consist of the following:

	<u>Cost</u>	<u>2017 Accumulated amortization</u>	<u>Net</u>	<u>2016 Net</u>
Tangible Capital Assets				
Land and building				
- 54 Donald Street	\$ 162,586	\$ 92,795	\$ 69,791	\$ 78,567
- 56 Henry Street	166,404	91,716	74,688	83,505
- 142 Foster Avenue	122,119	49,391	72,728	78,353
Parking lot	3,917	3,917	-	452
Furniture and fixtures	206,214	203,932	2,282	4,564
Leasehold improvements	77,886	17,383	60,503	26,245
Computer hardware	209,659	209,659	-	8,342
Vehicles	30,371	5,400	24,971	30,371
	<u>979,156</u>	<u>674,193</u>	<u>304,963</u>	<u>310,399</u>
Intangible Capital Assets				
Computer software	18,190	12,120	6,070	12,130
	<u>\$ 997,346</u>	<u>\$ 686,313</u>	<u>\$ 311,033</u>	<u>\$ 322,529</u>

8. DEFERRED REVENUES

Deferred revenues consist of \$95,642 (2016 - \$98,409) of donations and fundraising amounts which are to be expended on special projects or program expenses not funded by the MOHLTC/LHIN, subject to approval by the Board of Directors. Amounts received in the year totalled \$nil (2016 - \$14,566) and amounts recognized as revenue in the year totalled \$2,767 (2016 - \$7,293).

9. LINE OF CREDIT

The Corporation has an operating line of credit with an authorized limit of \$250,000, of which \$nil was utilized at year-end. The line of credit bears interest at prime plus 1.5% and is secured by a general security agreement covering all of the assets of the Corporation except for real property.

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

9. LINE OF CREDIT (continued)

Subsequent to the year-end, the Corporation transitioned banking facilities. New facilities include an overdraft limit of \$250,000 plus a line of credit with a limit of \$150,000. These facilities bear interest at prime plus 0% and are secured by a general security agreement covering all of the assets of the Corporation except for real property.

10. MORTGAGES PAYABLE

Mortgages payable consist of the following:

	2017	2016
Mortgage payable - 1.12% due February 1, 2020, repayable in blended monthly instalments of principal and interest of \$808, secured by a first charge on the Corporation's real property at 54 Donald Street, Belleville (net book value of \$69,791)	\$ 69,791	\$ 78,567
Mortgage payable - 1.04% due October 1, 2020, repayable in blended monthly instalments of principal and interest of \$810, secured by a first charge on the Corporation's real property at 56 Henry Street, Belleville (net book value of \$74,688)	74,688	83,506
	144,479	162,073
Less current portion	17,942	18,489
	\$ 126,537	\$ 143,584

Principal repayments over the next four years are estimated to be as follows:

2018	\$ 17,942
2019	18,144
2020	60,855
2021	47,538

11. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of subsidies received for the purchase of capital assets. The amortization of contributions related to capital assets will be recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

	2017	2016
Balance, beginning of year	\$ 82,191	\$ 22,791
Contributions received	35,590	69,583
Amortization	(22,161)	(10,183)
Balance, end of year	\$ 95,620	\$ 82,191

**ADDICTIONS AND MENTAL HEALTH SERVICES
HASTINGS PRINCE EDWARD
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017**

12. OPERATING SUBSIDIES

Operating subsidies are provided by the Ministry of Health and Long-Term Care/South East Local Health Integration Network and the Corporation is required to report annually as specified in the relevant agreements. The Corporation has not yet reported regarding the current fiscal year and, accordingly, any adjustment required to revenue on final approval will be recorded in the then current fiscal year.

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

13. COMMITMENTS

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

2018	\$	245,761
2019		254,295
2020		258,492
2021		238,927
2022		200,313

Lease commitments for years 2023 to 2027 total \$21,425 annually.

14. PENSION PLAN

The Corporation makes contributions for unionized employees to the Healthcare of Ontario Pension Plan (HOOPP), which is a multi-employer defined benefit pension plan. The plan specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

Contributions to HOOPP made during the year by the Corporation on behalf of its employees amounted to \$333,759 (2016 - \$270,120) and are recorded in the Statement of Operations. HOOPP's most recent annual report states that the plan has a regulatory surplus of \$11,960 million as of December 31, 2016.