

**The South Georgian Bay
Community Health Centres
Financial Statements**
For the year ended March 31, 2018

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Independent Auditor's Report

**To the Board of Directors of
The South Georgian Bay Community Health Centres**

We have audited the accompanying financial statements of The South Georgian Bay Community Health Centres, which comprise the statement of financial position as at March 31, 2018, and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 is sufficient and appropriate to provide a basis for our unqualified audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The South Georgian Bay Community Health Centres as at March 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Barrie, Ontario
June 14, 2018

The South Georgian Bay Community Health Centres Statement of Financial Position

March 31	2018	2017
Assets		
Current		
Cash and short-term investments (note 2)	\$ 2,117,536	\$ 2,222,413
Accounts receivable	38,871	30,529
Prepaid expenses	328,328	338,180
	2,484,735	2,591,122
Capital Assets, at cost less accumulated amortization (note 3)	292,136	203,723
Intangible Assets, at cost less accumulated amortization (note 4)	1,412	4,256
	\$ 2,778,283	\$ 2,799,101
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 289,362	\$ 192,054
Government remittances payable	41,197	52,331
Due to Ministry of Health and Long-term Care/LHIN (note 5)	195,778	367,984
Deferred contributions (note 7)	1,954,046	1,975,101
	2,480,383	2,587,470
Deferred Contributions Related to Capital Assets (note 8)	293,548	207,979
Commitments (note 9)		
Net Assets		
Unrestricted	4,352	3,652
	\$ 2,778,283	\$ 2,799,101

On behalf of the Board:

_____ Director

_____ Director

The South Georgian Bay Community Health Centres Statement of Operations and Net Assets

For the year ended March 31	2018	2017
Revenues		
Ministry of Health and Long-Term Care/LHIN		
- base funding	\$ 2,653,025	\$ 2,479,216
- one-time funding	125,000	150,000
Amortization of deferred contributions related to capital assets	15,709	27,701
Other	21,159	18,505
Interest	2,195	866
	<u>2,817,088</u>	<u>2,676,288</u>
Expenses		
Clinic		
Amortization	3,598	3,598
Compensation	1,368,157	1,249,848
Contracted out services	279,975	290,352
Equipment	4,020	1,732
Sundry	21,036	17,372
Supplies	19,014	20,708
	<u>1,695,800</u>	<u>1,583,610</u>
Health Promotion		
Compensation	248,319	215,187
Contracted out services	1,248	1,834
Sundry	8,678	10,960
Supplies	2,152	8,280
	<u>260,397</u>	<u>236,261</u>
Self-Management		
Compensation	144,887	145,000
Professional	56,219	31,620
Sundry	30,079	35,328
Supplies	15,947	44,367
	<u>247,132</u>	<u>256,315</u>

**The South Georgian Bay Community Health Centres
Statement of Operations and Net Assets**

For the year ended March 31	2018	2017
Expenses (continued)		
Administration		
Amortization	\$ 12,111	\$ 24,103
Buildings and grounds	153,033	139,016
Compensation	208,686	218,893
Contracted out services	59,110	56,700
Equipment	62,729	48,824
Sundry	98,613	91,310
Supplies	18,777	20,596
	<u>613,059</u>	<u>599,442</u>
Total expenses	2,816,388	2,675,628
Excess of revenues over expenses for the year	700	660
Net assets, beginning of year	3,652	2,992
Net assets, end of year	\$ 4,352	\$ 3,652

The South Georgian Bay Community Health Centres Statement of Cash Flows

For the year ended March 31	2018	2017
Cash flows from operating activities		
Excess of revenues over expenses for the year	\$ 700	\$ 660
Charges (credits) to operations not involving cash		
Amortization of deferred contributions related to capital assets	(15,709)	(27,701)
Amortization of capital assets	15,709	27,701
	<u>700</u>	<u>660</u>
Change in non-cash working capital balances related to operations		
Accounts receivable	(8,342)	15,247
Prepaid expenses	9,852	(4,111)
Accounts payable and accrued liabilities	97,308	(29,864)
Government remittances payable	(11,134)	20,050
Due to Ministry of Health and Long-term Care/LHIN	(172,206)	110,191
Deferred contributions	(21,055)	(4,829)
	<u>(104,877)</u>	<u>107,344</u>
Cash flows from investing activities		
Additions to capital assets	<u>(101,278)</u>	<u>(12,961)</u>
Cash flows from financing activities		
Increase in deferred contributions related to capital assets	<u>101,278</u>	<u>12,961</u>
Net increase (decrease) in cash and short-term investments during the year	(104,877)	107,344
Cash and short-term investments, beginning of the year	<u>2,222,413</u>	<u>2,115,069</u>
Cash and short-term investments, end of the year	<u>\$ 2,117,536</u>	<u>\$ 2,222,413</u>

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

1. Significant Accounting Policies

Nature of Organization

The South Georgian Bay Community Health Centres is an incorporated not-for-profit organization without share capital under the Corporations Act (Ontario). The purpose of the organization is to coordinate the operation of a community health care centre which facilitates the delivery of health care, wellness and promotion services to families in South Georgian Bay communities.

The organization is not subject to federal or provincial income taxes pursuant to exemptions accorded to charitable organizations in the income tax legislation.

Basis of Accounting

These financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Capital Assets and Amortization

Purchased capital assets are recorded at cost less accumulated amortization. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed assets are recorded at a nominal amount.

Amortization is provided on capital assets on the straight-line basis over their estimated useful lives as follows:

Cleaning equipment	10 years
Computer equipment	5 years
Leasehold improvements	2 to 4 years
Medical equipment	5 to 10 years
Office equipment	5 years

Intangible Assets

Intangible assets are externally acquired and are stated at cost less accumulated amortization. Amortization at the rate of 5 years is provided on a straight-line basis over their estimated useful service lives.

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

Revenue Recognition

The organization follows the deferral method of accounting for contributions which includes grants and government subsidies. Operating revenue, including grants and subsidies are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. When a portion of a grant relates to a future period, it is deferred and recognized in that future period.

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

Externally restricted contributions are recognized as revenue in the year in which the related expenditures 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.

Interest income is recorded as revenue in the period earned. When interest income is subject to an external restriction to be used for a future period, it is deferred and recognized in that future period.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the estimated useful life of capital assets, the fair value of financial instruments and amounts due to Ministry of Health and Long-Term Care/LHIN. Actual results could differ from management's best estimates as additional information becomes available in the future.

Pension Plan

The organization applies defined contribution plan accounting to its multi-employer defined benefit plan for which the organization has insufficient information to apply defined benefit plan accounting (see note 11).

The South Georgian Bay Community Health Centres

Notes to the Financial Statements

For the year ended March 31, 2018

Contributed Services

Directors, committee members and community members volunteer their time to assist in the organization's activities. While these services benefit the organization considerably, a reasonable estimate of their amount and fair value cannot be made and, accordingly, these contributed services are not recognized in the financial statements.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Impairment of Long Lived Assets

In the event that facts and circumstances indicate that the organization's long lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write down to market value or discounted cash flow is required. The organization considers that no circumstances exist that would require such an evaluation.

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

2. Cash and Short-term Investments

The organization's bank accounts are held at a chartered bank. The bank accounts earn interest at a variable rate. Included in cash and short-term investments are the following investments:

	2018	2017
Guaranteed Investment Certificate, Bank of Nova Scotia, 1.5% interest, maturity date of August 4, 2018	\$ 977,269	\$ -
Guaranteed Investment Certificate, Bank of Nova Scotia, 0.6208% interest, maturity date of August 4, 2018	600,117	-
Guaranteed Investment Certificate, Bank of Nova Scotia, 0.74% interest, maturity date of July 6, 2017	-	1,466,387
Accrued interest receivable	12,088	8,007
	\$ 1,589,474	\$ 1,474,394

The carrying value plus accrued interest of the above investments approximates market value at March 31, 2018.

3. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Cleaning equipment	\$ 8,773	\$ 6,579	\$ 8,773	\$ 5,702
Computer equipment	89,170	44,670	43,703	37,411
Leasehold improvements	210,683	210,683	210,683	210,683
Medical equipment	47,725	38,732	47,725	35,134
Office equipment	147,081	121,889	121,146	120,759
Assets under construction	211,257	-	181,382	-
	\$ 714,689	\$ 422,553	\$ 613,412	\$ 409,689
Net book value		\$ 292,136		\$ 203,723

Assets under construction are expenses related to the upcoming construction of a new building (note 6). Amortization of these costs will commence upon completion of construction.

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

4. Intangible Assets

	<u>2018</u>	<u>2017</u>
Software licenses and fees	\$ 17,362	\$ 17,362
Less: accumulated amortization	<u>(15,950)</u>	<u>(13,106)</u>
	<u>\$ 1,412</u>	<u>\$ 4,256</u>

During the year, amortization in the amount of \$2,844 (2017 - \$2,844) was recorded relating to intangible assets and has been included in amortization expense in the statement of operations.

5. Due to Ministry of Health and Long-term Care/LHIN

The organization receives funding from the Ministry of Health and Long-Term Care/LHIN. The amount of funding provided to the organization is subject to final review and approval by the Ministry. As at the date of these financial statements, funding for the period April 1, 2016 to March 31, 2017 and April 1, 2017 to March 31, 2018 has not been subject to this review process. Any future adjustments required as a result of this review will be accounted for in the year the adjustment is determined.

6. Capital Project

In an agreement dated April 29, 2013, the organization received approval from the Ministry of Health and Long-Term Care for capital funding up to \$6,107,900 for the purchase of land and construction of a building. As at March 31, 2018, the organization has received \$1,832,370 of this funding and \$260,000 of one-time funding. The organization has incurred \$211,257 (2017 - \$181,382) (see note 3) of expenses relating to this project. In prior years, the organization has made deposits totalling \$306,000 to secure the purchase of land (see note 9). The total deposit of \$306,000 is recorded in prepaid expenses in the statement of financial position as at March 31, 2018. The Ministry of Health and Long-Term Care along with the North Simcoe Muskoka Local Health Integration Network will be working with the organization throughout its capital project, with an expected completion date of 2022.

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

7. Deferred Contributions

Deferred contributions primarily represent the unspent externally restricted contributions received from the Ministry of Health and Long Term Care for the purchase of land and the construction of the building (note 6). Amounts transferred to deferred contributions related to capital assets consists of capital purchases for the capital project.

	2018	2017
<u>Contributions related to the capital project</u>		
Balance, beginning of year	\$ 1,966,336	\$ 1,965,646
Accrued interest income on contributions received related to the construction of the new building	12,885	9,962
Amounts transferred to deferred contributions related to capital assets (note 8)	(29,875)	(9,272)
	1,949,346	1,966,336
<u>Other contributions</u>		
Balance, beginning of year	8,765	14,284
Amounts recognized as revenue in the year	(4,065)	(5,519)
	4,700	8,765
	\$ 1,954,046	\$ 1,975,101

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

8. Deferred Contributions Related to Capital Assets

Deferred contributions represent the unamortized amount of grants and restricted donations received to be used in the purchase of certain assets or in the settlement of certain obligations. The amortization of these contributions is recorded as revenue in the statement of operations.

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 207,979	\$ 222,719
Contributions received for the purchase of capital assets	71,403	3,689
Amounts transferred from deferred contributions related to the capital project (note 7)	29,875	9,272
Amounts amortized to revenue	<u>(15,709)</u>	<u>(27,701)</u>
Balance, end of year	<u>\$ 293,548</u>	<u>\$ 207,979</u>

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

9. Commitments

The organization entered into an agreement to lease premises in Wasaga Beach for \$11,836 plus HST per month. This lease has an expiry date of August 2021.

The organization entered into a contract for maintenance and support services beginning April 1, 2014 for the new electronic medical record system for \$19,740 plus HST per annum. This agreement will automatically renew on a yearly basis and will remain in force until either party terminates the agreement.

Effective April 1, 2018, the organization entered into an agreement with Collingwood General and Marine Hospital to provide financial accounting and payroll, human resources, and information technology services. This agreement extends to March 31, 2019. The organization will incur a one time cost for equipment and software of \$45,467 and fees for finance and human resource services will be equal to 2% of annual operating funding (which starts at \$4,167 per month) plus \$1,350 in fees per month for IT services.

The organization entered into a contract in November 2013 for the services of a construction project manager to manage their upcoming capital project (see note 6) for \$5,000 per month including HST for a forty-four month term. These payments commenced November 2013. For the year ended March 31, 2018, \$NIL (2017 - \$8,915) was paid related to this agreement. Commencing May 20, 2016, this contract has been put on hold and will commence again when the organization receives written approval from the Ministry to proceed with the next stage.

The organization entered into a contract in January 2014 for architect services relating to their capital project (see note 6) at a fee equal to 1% of the approved tendered construction cost for phase 2 of the project and 8% of the approved tendered construction cost for the remaining phases of the five phase project. For the year ended March 31, 2018, \$26,070 (2017 - \$116) was paid related to this agreement.

The organization entered into a contract in January 2014 for cost consulting services relating to the construction costs of their capital project (see note 6) for a total fee of \$10,000 plus disbursements and HST, which is to be paid in phases two to four of the five phase project. For the year ended March 31, 2018, \$NIL (2017 - \$NIL) was paid related to this agreement.

During fiscal 2015, the organization signed an agreement to purchase property in Wasaga Beach for a purchase price of \$1,066,032 plus HST related to their capital project (see note 6). This purchase price is comprised of two elements: land at a value of \$575,000 and the organization's share of site improvement costs equal to a maximum amount of \$491,032 plus HST. As at March 31, 2018, the organization has paid a deposit on this property of \$306,000. The closing date of this agreement is expected to occur in fiscal 2019, conditional on the Ministry of Health and Long-Term Care's approval.

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

10. Economic Dependence

The organization received 99.2% (2017 - 99.3%) of its revenue from the Ministry of Health and Long-Term Care/LHIN.

11. Pension Plan

All permanent employees of the organization are members of the Healthcare of Ontario Pension Plan which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Healthcare of Ontario Pension Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the percentage of salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The Plan provides pension services to more than 339,000 active and retired members and approximately 540 employers. The Plan is a multi-employer plan and therefore the organization's contributions are accounted for as if the Plan were a defined contribution plan with the organization's contributions being expensed in the period they come due. 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 results of the most recent valuation as at December 31, 2017 disclosed a surplus of \$18,153 million. The results of this valuation disclosed total actuarial liabilities and pension obligations of \$160,537 million in respect of benefits accrued for service with actuarial assets at that date of \$178,690 million. Because the Plan is a multi-employer plan, any pension plan surpluses or deficits are a joint responsibility of Ontario member organizations and their employees. As a result, the organization does not recognize any share of the Plan surplus or deficit.

Employer contributions made to the Plan during the year by the organization amount to \$87,573 (2017 - \$115,797) and is included in compensation expense.

The South Georgian Bay Community Health Centres Notes to the Financial Statements

For the year ended March 31, 2018

12. Financial Instrument Risk

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The organization is not exposed to significant interest rate risk due to the short-term maturity of the organization's monetary assets and current liabilities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The organization is also exposed to credit risk arising from its accounts receivable. Credit risk is the risk that the counterparty to the transaction will not pay. The majority of the organization's receivables are from government sources and the organization works to ensure they meet all eligibility criteria in order to qualify to receive the funding.

Liquidity Risk

Liquidity risk is the risk that the organization encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the organization will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, government remittances payable and amounts due to Ministry of Health and Long-term Care/LHIN.

There have been no changes to the organization's financial instrument exposure from the prior year.
