

Financial Statements of

**ADDICTION AND MENTAL  
HEALTH SERVICES - KFLA**

Year ended March 31, 2021

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

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Year ended March 31, 2021

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Addiction and Mental Health Services - KFLA

### ***Opinion***

We have audited the financial statements of Addiction and Mental Health Services - KFLA (the "Entity"), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in 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.

(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 cash flows, and the remeasurement gains and losses 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.



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- 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.
- 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*

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Chartered Professional Accountants, Licensed Public Accountants

Kingston, Canada

June 23, 2021

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

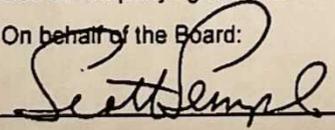
## Statement of Financial Position

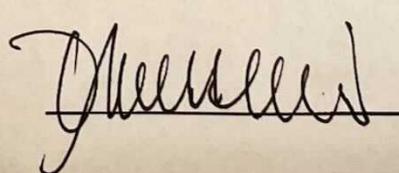
March 31, 2021, with comparative information for 2020

	2021	2020
<b>Assets</b>		
<b>Current assets:</b>		
Cash	\$ 4,906,635	\$ 4,105,161
Short-term investments (note 13)	842,500	-
Receivable from Ministry of Health	337	337
Other receivables	1,069,004	417,045
Prepaid expenses	35,705	91,307
	6,854,181	4,613,850
<b>Reserves:</b>		
Cash (note 7)	490,176	487,736
Long-term investments (note 13)	850,000	-
Capital assets (note 2)	20,881,425	22,750,850
	\$ 29,075,782	\$ 27,852,436
<b>Liabilities, Deferred Capital Contributions and Net Assets</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued liabilities	\$ 1,216,095	\$ 1,108,775
Accrued wages and vacation	461,167	1,115,220
Amounts payable to provincial ministries	3,227,374	2,347,674
Deferred revenue	569,189	130,899
Current portion of long-term debt (note 3(a))	34,100	291,088
	5,507,925	4,993,656
Long-term debt (note 3(a))	67,332	1,869,136
Forgivable loan (note 4)	8,400	22,800
Deferred capital contributions (note 5)	11,175,528	12,541,586
<b>Net assets:</b>		
Internally restricted as agency housing properties capital reserve (note 8 (b))	3,102,550	1,376,445
Externally restricted for housing properties capital reserve (note 8 (a))	1,035,102	1,104,204
Externally restricted housing subsidy surplus (note 8(a))	13,710	13,710
Investment in capital assets (note 6(a))	9,596,065	8,026,240
Unrestricted	(1,430,830)	(2,095,341)
	12,316,597	8,425,258
Commitment (note 10)		
Contingent liabilities (note 11)		
	\$ 29,075,782	\$ 27,852,436

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Statement of Operations

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

	2021	2020
Revenue (note 12):		
Ministry of Health funding	\$ 17,269,886	\$ 16,159,702
Sessional fees	53,931	53,152
One-time funding	982,471	785,000
Other provincial government funding	979,817	837,505
Subsidy repayable	(1,092,353)	(2,142,629)
	18,193,752	15,692,730
Recoveries and other income:		
Rental	838,161	914,045
Administrative cost recoveries	3,241	215,081
Interest	40,182	78,978
Other	919,907	599,932
	19,995,243	17,500,766
Expenses:		
Salaries and wages	11,703,390	9,685,902
Employee benefits	2,637,081	2,480,717
Purchased psychiatry services	850,423	649,599
Staff education and travel	142,190	193,012
Other supplies and services	1,893,135	2,157,511
Community one-time expenses	951,725	721,656
Occupancy costs and repairs	1,486,087	1,532,868
	19,664,031	17,421,265
Excess of revenue over expenses before the undernoted	331,212	79,501
Amortization of deferred capital contributions	422,944	459,062
Amortization of capital assets	(734,260)	(736,083)
Gain on disposal of capital assets	3,871,443	4,702,677
Excess of revenue over expenses	\$ 3,891,339	\$ 4,505,157

See accompanying notes to financial statements.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Statement of Changes in Net Assets

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

	Internally restricted as agency housing properties capital reserve (note 8(b))	Externally restricted for housing properties capital reserve (note 8(a))	Externally restricted housing subsidy surplus (note 8(a))	Investment in capital assets (note 6)	Unrestricted	2021 Total	2020 Total
Balance (deficiency), beginning of year	\$ 1,376,445	\$ 1,104,204	\$ 13,710	\$ 8,026,240	\$ (2,095,341)	\$ 8,425,258	\$ 3,920,101
Excess (deficiency) of revenue over expenses	1,755,399	2,997	—	(311,316)	2,444,259	3,891,339	4,505,157
Net change in investment in capital assets (note 6(b))	—	—	—	1,881,141	(1,881,141)	—	—
Transfers from operations	(29,294)	(72,099)	—	—	101,393	—	—
<b>Balance (deficiency), end of year</b>	<b>\$ 3,102,550</b>	<b>\$ 1,035,102</b>	<b>\$ 13,710</b>	<b>\$ 9,596,065</b>	<b>\$ (1,430,830)</b>	<b>\$12,316,597</b>	<b>\$ 8,425,258</b>

See accompanying notes to financial statements.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Statement of Cash Flows

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

	2021	2020
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$ 3,891,339	\$ 4,505,157
Items not involving cash:		
Amortization of deferred capital contributions	(422,944)	(459,062)
Amortization of capital assets	734,260	736,083
Gain on disposal of capital assets*	(3,871,443)	(4,702,677)
Changes in non-cash operating working capital:		
Receivable from Ministry of Health	–	749,999
Other receivables	(651,959)	374,802
Prepaid expenses	55,602	20,042
Accounts payable and accrued liabilities	107,320	(1,832,464)
Accrued wages and vacation	(654,053)	(1,571,375)
Amounts payable to provincial ministries	879,700	2,066,305
Deferred revenue	438,290	10,524
	506,112	(102,666)
Capital activities:		
Purchase of capital assets	(510,585)	(508,469)
Proceeds on disposal of capital assets	3,751,726	5,101,304
	3,241,141	4,592,835
Investing activities:		
Purchase of investments	(1,692,500)	–
Financing activities:		
Repayment of construction advance	–	(6,216,756)
Repayment of long-term debt	(2,058,792)	(210,517)
Proceeds from long-term debt	–	2,025,479
Increase in deferred capital contributions	822,353	1,238,858
Decrease in forgivable loan	(14,400)	(14,400)
	(1,250,839)	(3,177,336)
Increase in cash	803,914	1,312,833
Cash, beginning of year	4,592,897	3,280,064
Cash, end of year	\$ 5,396,811	\$ 4,592,897
Represented by:		
Cash:		
Operating funds	\$ 4,906,635	\$ 4,105,161
Reserve funds	490,176	487,736
	\$ 5,396,811	\$ 4,592,897

\*Included in gain on disposal of capital assets is \$1,755,399 (2020 - \$1,402,746) related to the unamortized deferred capital contribution on the disposed properties.

See accompanying notes to financial statements.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements

Year ended March 31, 2021

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On April 1, 2015, Addiction and Mental Health Services - KFLA (the "Organization") was incorporated as a non-profit corporation without share capital under the laws of Ontario as a result of an amalgamation of the former Frontenac Community Mental Health and Addiction Services and the former Lennox and Addington Addiction and Community Mental Health Services Inc. The Organization is a registered charity and is exempt from income taxes under the Income Tax Act (Canada). Using a variety of health and social supports, and in partnership with others, the Organization works with people who have a serious and persistent mental illness and/or addictions in order that they can be active, participating members of the communities of Kingston, Frontenac, and Lennox and Addington.

## 1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian public sector accounting standards including the 4200 standards for government not-for-profit organizations. A statement of remeasurement gains and losses has not been included as there are no matters to report therein.

### (a) Capital assets:

Capital assets are recorded at cost. When a capital asset no longer contributes to the Organization's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided using the straight-line method over the following estimated useful lives:

Asset	Useful life
Buildings	40 years
Building service equipment	3 to 10 years
Napanee office equipment	3 to 10 years
Vehicles	4 to 10 years
Computer equipment	3 to 5 years
Leasehold improvements	15 years

The costs incurred for major capital projects, including interest costs, are classified separately as construction-in-progress until the project is substantially complete. Once complete, the costs are transferred to the appropriate capital asset category and amortization commences.

### (b) Revenue recognition:

The Organization follows the deferral method of accounting for contributions, which includes donations and government grants.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 1. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

Under various Province of Ontario Acts and Regulations thereto, the Organization is funded primarily in accordance with budget arrangements established by the Ministry of Health (the "Ministry"). Operating grants 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. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2021.

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 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.

Other revenue is recognized when the goods are sold or the service is provided.

### (c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has not elected to subsequently carry any such financial instruments at fair value.

Financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 1. Significant accounting policies (continued):

### (d) Employee future benefit liabilities:

The Organization is an employer member of the Health Care of Ontario Pension Plan, which is a multi-employer, defined benefit pension plan. The Organization accounts for this plan on a defined contribution plan basis as contributions to the benefit plan are determined by the plan administrator and are expensed when due.

### (e) Use of estimates:

The preparation of 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. Capital assets:

	Cost	Accumulated amortization	2021 Net book value	2020 Net book value
Land	\$ 1,600,872	\$ –	\$ 1,600,872	\$ 1,600,872
Buildings - supportive housing	5,082,431	2,187,525	2,894,906	4,681,807
Buildings - housing other	17,709,147	2,230,588	15,478,559	15,938,797
Buildings - other	625,776	514,848	110,928	137,042
Building service equipment	205,651	205,651	–	–
Napanee office equipment	212,879	212,879	–	–
Office furniture	55,628	–	55,628	–
Vehicles	113,464	74,086	39,378	29,708
Computer equipment	1,155,487	675,768	479,719	92,882
Leasehold improvements	888,457	667,022	221,435	269,742
	<u>\$ 27,649,792</u>	<u>\$ 6,768,367</u>	<u>\$ 20,881,425</u>	<u>\$ 22,750,850</u>

Cost and accumulated amortization as at March 31, 2020 amounted to \$29,990,798 and \$7,239,948, respectively.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

### 3. Long-term debt:

(a) Long-term debt consists of the following amounts:

	2021	2020
Mortgage payable: 1.87% due June 1, 2022, repayable in blended monthly instalments of principal and interest of \$755, secured by a first charge on the Organization's real property at 38 Alma Street, Kingston (net book value of \$79,930)	\$ 11,918	\$ 20,665
Mortgage payable: 2.59% due January 1, 2023, repayable in blended monthly instalments of principal and interest of \$732, secured by a first charge on the Organization's real property at 322 Elmwood Street, Kingston (net book value of \$77,912)	15,722	23,989
Mortgage payable: 2.59% due January 1, 2023, repayable in blended monthly instalments of principal and interest of \$804, secured by a first charge on the Organization's real property at 11 Forsythe Avenue, Kingston (net book value of \$86,301)	18,033	27,094
Mortgage payable: 2.39% due March 1, 2023, repayable in blended monthly instalments of principal and interest of \$721, secured by a first charge on the Organization's real property at 124 Liddell Street, Kingston (net book value of \$91,300)	55,759	62,997
Mortgage payable: Prime rate plus 1% due July 12, 2024, repayable in monthly instalments of principal of \$21,481 plus interest, secured by a first charge on the Organization's real property at 31 and 35 Lyons Street, Kingston (net book value of \$15,400,444)	–	2,025,479
	101,432	2,160,224
Less principal included in current liabilities	34,100	291,088
	\$ 67,332	\$ 1,869,136

Principal repayments over the next two years are as follows:

2022	\$ 34,100
2023	67,332
	\$ 101,432

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

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### 3. Long-term debt (continued):

(a) Long-term debt consists of the following amounts (continued):

Interest on long-term debt in the amount of \$13,129 (2020 - \$179,489) is included in occupancy costs and repairs on the Statement of Operations.

(b) Bank overdraft:

Under the terms of the Organization's credit agreement, the Organization has an operating loan available to a maximum of \$750,000 to assist with working capital requirements, bearing interest at prime rate per annum. As at March 31, 2021, the operating loan was undrawn (2020 - undrawn).

### 4. Forgivable loan:

Residential Rehabilitation Assistance Program (RRAP):

On November 1, 2006, the Canada Mortgage and Housing Corporation (CMHC) undertook a forgivable loan under the RRAP program. This program was used to undertake accessibility modifications to the existing residential building.

The forgivable loan has been established in the form of a promissory note and is secured by a first mortgage charge on the property. Principal and interest payments will not be required for fifteen years, which corresponds with the term of the loan, provided that the building is not sold without the prior consent of the CMHC and that there is no other breach of the terms of the loans.

If a default should occur at any time during the terms of the loans, the total unearned principal of the loans shall become due and payable and interest will be charged from the date of default.

The forgivable loan is as follows:

	2021	2020
Housing:		
8.125% forgivable loan, secured by an operating agreement on 68-70 Dundas Street East, forgivable \$1,200 monthly plus interest for a fifteen-year term, maturing November 1, 2021	\$ 8,400	\$ 22,800

Principal forgiveness for the next year is estimated as follows: 2022 - \$8,400.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 5. Deferred capital contributions:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2021	2020
Balance, beginning of year	\$ 12,541,586	\$ 13,164,536
Additional contributions received	822,353	1,238,858
Less amounts amortized to revenue	(422,944)	(459,062)
Less disposal of deferred capital contributions	(1,765,467)	(1,402,746)
Balance, end of year	\$ 11,175,528	\$ 12,541,586

## 6. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2021	2020
Capital assets	\$ 20,881,425	\$ 22,750,850
Amounts financed by:		
Deferred contributions	(11,175,528)	(12,541,586)
Long-term debt	(101,432)	(2,160,224)
Forgivable loan	(8,400)	(22,800)
	\$ 9,596,065	\$ 8,026,240

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 6. Investment in capital assets (continued):

(b) Change in net assets invested in capital assets is calculated as follows:

	2021	2020
Excess of expenses over revenue:		
Amortization of deferred contributions related to capital assets	\$ 422,944	\$ 459,062
Amortization of capital assets	(734,260)	(736,083)
	\$ (311,316)	\$ (277,021)
Net change in investment in capital assets:		
Purchase of capital assets	\$ 510,585	\$ 508,469
Proceeds on sale of capital assets	(3,751,726)	(5,101,304)
Gain on disposal of capital assets	3,871,443	4,702,677
Amounts funded by deferred contributions	(822,353)	(1,238,858)
Repayment of construction advance	—	6,216,756
Proceeds from long-term debt	—	(2,025,479)
Repayment of long-term debt	2,058,792	210,517
Decrease in forgivable loan	14,400	14,400
	\$ 1,881,141	\$ 3,287,178

## 7. Reserves cash:

Cash carried under reserves, in the amount of \$490,176 (2020 - \$487,736) has been designated to support the internally and externally restricted capital reserves. The balance of cash does not include cash yet to be transferred in the amount of \$544,129 (2020 - \$616,468) in respect of certain year-end transfers to/from reserves.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

## 8. Reserves:

Internally and externally restricted capital reserves are replacement reserves set aside to fund future capital replacements and significant repairs and maintenance to housing properties. Amounts are allocated to these reserves each year as per approved operating budgets:

### (a) Externally restricted reserves:

	Externally restricted for housing properties capital reserve	Externally restricted housing subsidy surplus	Total 2021	Total 2020
Balance, beginning of year	\$ 1,104,204	\$ 13,710	\$ 1,117,914	\$ 1,079,155
Interest earned	2,997	—	2,997	6,160
Transfers from excess of revenue over expenses	8,398	—	8,398	58,519
Transfer to unrestricted	(80,497)	—	(80,497)	—
Capital expenditures	—	—	—	(25,920)
<b>Balance, end of year</b>	<b>\$ 1,035,102</b>	<b>\$ 13,710</b>	<b>\$ 1,048,812</b>	<b>\$ 1,117,914</b>

### (b) Internally restricted for agency housing properties capital reserve:

	2021	2020
Balance, beginning of year	\$ 1,376,445	\$ —
Transfer from excess of revenue over expenses	1,755,399	1,402,746
Transfer to unrestricted	(29,294)	(26,301)
<b>Balance, end of year</b>	<b>\$ 3,102,550</b>	<b>\$ 1,376,445</b>

During the year, the Organization approved a transfer of \$1,765,467 related to the unamortized deferred capital contributions on the disposed properties from excess of revenue over expenses to the internally restricted as agency housing properties capital reserve.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 9. Pension plan and contributions to Registered Retirement Savings Plans:

Substantially all of the employees of the Organization are members of the HealthCare of Ontario Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Ontario Hospital Association. 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 the Plan made during the year by the Organization, on behalf of its employees amounted to \$940,649 (2020 - \$797,869) and are included in employee benefits expenses on the statement of operations.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, 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.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The Plan's 2020 Annual Report indicates the plan is fully funded at 119%.

## 10. Commitment:

The Organization is committed to the payment of annual rent under the terms of a lease agreement as follows:

Location	Lease Expiry	Annual Rent
552 Princess Street	May 31, 2024	\$192,344 to expiry

In addition, the Organization is committed to the payment of additional rent in the form of a proportionate share of common area costs, property taxes and repairs and maintenance.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 11. Contingent liabilities:

- (a) The nature of the Organization's activities is such that there may be litigation pending or in prospect at any time. With respect to claims as at March 31, 2021, accruals have been recorded where claims have been assessed as likely to occur and the loss can be reasonably determined. Where the amount of possible loss or the likelihood of loss is not determinable, management believes that the Organization has valid defenses and appropriate insurance coverage in place and the aggregate amount of any potential liability is not expected to have a material effect on the Organization's financial position.
- (b) The Organization has entered into a contribution agreement with the Corporation of the City of Kingston (the "Service Manager") for the funding of an affordable housing capital project located at 35 Lyon Street, Kingston Ontario. This agreement states that on each anniversary date of the interest adjustment date, the Organization shall pay the Service Manager the amount of interest as calculated on the loan. However, the amount of interest shall be forgiven if the requirements of the agreement are satisfied by the Organization. The annual interest since inception of the loan has been forgiven and is not recorded in these financial statements.

The contribution agreement also states that the loan shall be forgiven at a rate of one twentieth (1/20) of the original principal amount of \$2,740,542 for each year following occupancy provided the Organization has fulfilled all the requirements of the agreement. The loan proceeds received to date of \$2,466,488 have been recorded as deferred capital contributions on the Statement of Financial Position and the loan amount is not recorded in these financial statements. The loan agreement expires in 2040.

Any interest or loan payable will be recorded in the financial statements when an event arises resulting in an obligation for the Organization to pay interest charges or loan proceeds back to the Service Manager.

## 12. Provincial funding revenue:

The provincial operating subsidies are recognized based on approved fiscal allocations by the relevant Ministry. Current year unspent fiscal allocations are recognized as accounts payable to the relevant Ministry and are adjusted on the Statement of Operations in the current period. These operating subsidies are also subject to annual fiscal reviews and approval by the Ministry. Any year-end adjustments resulting from these reviews will be reflected as a subsidy recovery on the Statement of Operations in the year of approval.

## 13. Investments:

Investments consist of guaranteed investment certificates with interest rates ranging from 0.36% to 1.48% per annum and have maturities ranging from June 2021 to June 2022.

Investments that mature before March 31, 2022 have been classified as short-term.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 14. Financial risks and concentration of risk:

(a) Liquidity risk:

Liquidity risk is the risk that the Organization will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Organization manages its liquidity risk by monitoring its operating requirements. As at March 31, 2021, the Organization's current assets exceed its current liabilities by \$1,346,256 (2020 - current liabilities exceed its current assets by \$379,806). The Organization prepares budgets to ensure it has sufficient funds to fulfill its obligations.

(b) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Organization is exposed to credit risk with respect to cash and receivables. The Organization assesses, on a continuous basis, receivables and provides for any amounts that are not considered collectible in the allowance for doubtful accounts.

The balance in the allowance for doubtful accounts at March 31, 2021 is \$Nil (2020 - \$Nil).

(c) 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 Organization is exposed to interest rate risk through its long-term debt, as certain loans are variable interest rate loans. These are mitigated through its other long-term debt, which are fixed-rate debt arrangements.

There have been no significant change to the risk exposures from 2020 other than the decrease in long-term debt as a result of the accelerated debt repayment of 31 and 35 Lyons Street (note 3).

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

Notes to Financial Statements (continued)

Year ended March 31, 2021

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## 15. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact.

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

- Increased costs related to the purchase of materials and supplies
- Increased costs related to the set up and administration of the Kingston Isolation Centre
- Closure of administrative and nonessential services within which it operates since March 17, 2020 based on Public Health recommendations
- Mandatory working from home requirements for those able to do so
- Continuous re-evaluation of the team's work assignments
- Mandatory on-site client and staff screening and tracking protocols

The Corporation of the City of Kingston, United Way and the Ministry have provided funds in the amount of \$1,234,307 to offset these increased costs as of March 31, 2021. Of the noted amount, \$83,000 and \$300,000 of one-time funding for Emergency COVID-19 and Mobile Crisis, respectively, have been approved by the Ministry for carry over to address COVID-19 related pressures in fiscal 2022. These funds are recorded as a component of deferred revenue on the Statement of Financial Position.

The Organization continues to respond to the pandemic and plan for continued operational and financial impacts during the 2022 fiscal year and beyond. Management has assessed the impact of COVID-19 and believes there are no significant financial issues as the Organization has access to sufficient financial resources to sustain operations in the coming year. The outcome and time frame to a recovery from the current pandemic is highly unpredictable, thus it is not practicable to estimate and disclose its financial effect on future operations at this time.

# ADDICTION AND MENTAL HEALTH SERVICES - KFLA

## Schedule 1 - Financial Summary

Year ended March 31, 2021

	Local Health Integration Network			Ministry of Health	Other	Other	2021 Total	2020 Total
	Mental Health Services Program	Addiction Services	Addiction Problem Gambling	Supportive Housing	Client Services	Agency Housing		
Revenue:								
LHIN and MOH funding	\$ 14,892,284	\$ 2,079,306	\$ 298,296	\$ -	\$ -	\$ -	\$ 17,269,886	\$ 16,159,702
LHIN sessional fees	53,931	-	-	-	-	-	53,931	53,152
LHIN one-time funding	789,559	1,208	-	-	-	191,704	982,471	785,000
Other provincial funding	-	-	-	979,817	-	-	979,817	837,505
LHIN HSJCC funding	-	-	-	-	-	-	-	-
	15,735,774	2,080,514	298,296	979,817	-	191,704	19,286,105	17,835,359
Rental	-	-	-	402,583	-	435,578	838,161	914,045
Recoveries	2,458	783	-	-	-	-	3,241	215,081
Interest	17,734	-	-	22,448	-	-	40,182	78,978
Other municipal funding	-	-	-	-	25,000	29,371	54,371	-
Other	396,273	96,455	-	202,513	159,026	11,269	865,536	599,932
	416,465	97,238	-	627,544	184,026	476,218	1,801,491	1,808,036
<b>Total revenue</b>	<b>16,152,239</b>	<b>2,177,752</b>	<b>298,296</b>	<b>1,607,361</b>	<b>184,026</b>	<b>667,922</b>	<b>21,087,596</b>	<b>19,643,395</b>
Expenses:								
Salaries and wages	9,886,038	1,168,377	192,305	281,056	75,869	99,745	11,703,390	9,685,902
Employee benefits	2,224,789	277,826	48,357	61,741	18,191	6,177	2,637,081	2,480,717
Purchased psychiatry services	787,432	23,333	-	-	-	39,658	850,423	649,599
Staff education and travel	122,489	9,327	742	7,128	1,530	974	142,190	193,012
Other supplies and services	1,455,102	156,120	29,567	101,808	71,278	79,260	1,893,135	2,157,511
Community one-time expenses	758,813	1,208	-	-	-	191,704	951,725	721,656
Occupancy costs and repairs	537,140	8,443	1,517	727,396	-	211,591	1,486,087	1,532,868
<b>Total expenses</b>	<b>15,771,803</b>	<b>1,644,634</b>	<b>272,488</b>	<b>1,179,129</b>	<b>166,868</b>	<b>629,109</b>	<b>19,664,031</b>	<b>17,421,265</b>
Excess of revenue over expenses before the undernoted	380,436	533,118	25,808	428,232	17,158	38,813	1,423,565	2,222,130
Subsidy repayable	(355,240)	(533,118)	(25,808)	(178,187)	-	-	(1,092,353)	(2,142,629)
Amortization of deferred capital contributions	76,403	-	-	195,807	-	150,734	422,944	459,062
Amortization of capital assets	(101,599)	-	-	(410,257)	-	(222,404)	(734,260)	(736,083)
Gain on disposal of capital assets	-	-	-	3,871,443	-	-	3,871,443	4,702,677
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,907,038</b>	<b>\$ 17,158</b>	<b>\$ (32,857)</b>	<b>\$ 3,891,339</b>	<b>\$ 4,505,157</b>